

Algeria... Athens... Beijing... Bonn... Buenos Aires... Cairo... Canberra... Chicago... Cologne... Dallas... Frankfurt... Geneva... Hong Kong... Istanbul... London... Lyons... Madrid... Manila... Mexico City... Moscow... New York... Paris... Rome... Seoul... Singapore... Taipei... Tokyo... Washington... Zurich

Can Success In Geneva Halt War In Bosnia?

Even With Accord, UN Military Officers See Further Conflict

By John Pomfret Washington Post Service SPLIT. Croatia — While United Nations mediators pressed the three Bosnian factions Tuesday to sign an agreement that would carve up their country, UN military officers said they were bracing for more war regardless of what happened in Geneva. Even with an agreement, two hot spots — central and southwestern Bosnia — appear ripe for more bloodshed as Muslim and Croatian factions fight it out for "second place" behind the dominant and militarily powerful Bosnian Serbs. And if an agreement collapsed, the officers predicted that Serbian paramilitary units would jump back into the fray, attacking Muslim forces in eastern Bosnia and strategic areas around Sarajevo either to press the Muslims back to the negotiating table or try to crush them altogether. Such a prediction was echoed Tuesday by the European Community mediator, Lord Owen, who warned that if Muslim forces did not agree to the plan for Bosnia's partition, then "there are real dangers that Serb forces will out the country in two." The skepticism about the prospects for peace among the officers, who are British, Spanish and French, highlights the fact that the 17-month-old struggle in Bosnia-Herzegovina moves according to different times — one at the negotiating table and the other on the ground. "All the agreements that all of these chaps have signed are purely in principle," a senior British officer said, pointing out that whenever negotiations focus on maps in Bosnia little is accomplished. "Meanwhile, out here, they're all looking for an angle, moving troops and getting ready for the next offensive." The first area of concern to UN officers is central Bosnia, specifically the town of Gornji Vakuf and the strategic Makljen Ridge about 1,100 meters (3,600) feet above it. Croatian paramilitary forces — backed, UN officials said, by units and weaponry from the Croatian Army — occupy the ridge. Muslim troops have begun a flanking action east of the ridge, and officers predicted that if a battle broke out for the ridge it could be one of the most dramatic this war has seen. The Makljen Ridge is strategic because See BALKAN, Page 4

Peace Prescription: More Realism and Courage

By Thomas L. Friedman New York Times Service WASHINGTON — The draft agreement between Israel and the Palestine Liberation Organization is the Middle East equivalent of the fall of the Berlin Wall: seemingly irreconcilable foes suddenly breaking down a barrier to peace that few thought would ever be breached. But as with the crumbling of the Wall, this agreement is just the beginning of the reconciliation process, not the end of it. It is a triumph of realism over fanaticism and political courage over political cowardice, but it cannot stand on its own. Even more realism and courage will be required to translate this agreement in principle into a detailed and sustainable reality. This is not a done deal yet. The big question

is whether this delicate Israeli-PLO understanding, reached secretly in the serenity of Norway, can survive the light of day and the political heat of the Middle East. The reason it might is that this accord was no fluke. In many ways, it was the culmination of a series of international, regional and domestic pressures, which have forced both Israeli and PLO leaders to do the unthinkable. For the PLO, the end of the Cold War, with the crumbling of both the Soviet Union and the Warsaw Pact, deprived Yasser Arafat of the international diplomatic support, the military aid and the training grounds for Palestinian

students and guerrillas that had been a key prop for his leadership and influence on the world stage. At the same time, his miscalculation in supporting Iraq against Kuwait during the Gulf War led to the impoverishment of the PLO as all the Arab Gulf states withdrew their financial support. Additionally, the slump in oil prices made even the PLO's few remaining Arab friends less able to pay it the tithe of old that had enabled the PLO to reject Israel in comfort. The PLO's backing for President Saddam Hussein also cost it politically and morally in the West. It was no longer the darling of many Western liberals, and with the emergence of Bosnia on the world stage the Palestinians were

replaced by the Muslims of Sarajevo as the preferred underdogs. All of these factors forced Mr. Arafat to deal on Israel's terms, agreeing to start with autonomy in the Gaza Strip and Jericho, postponing the issue of who controls Jerusalem and accepting a continued Israeli security presence. For the Israeli government of Prime Minister Yitzhak Rabin, the decision also grew from a variety of pressures: the government's inability to provide internal security for its citizens without some progress on the Israeli-Palestinian front; the conviction that Israel could never play the economic and political role to which it aspires in the post-Cold War world without See REALISM, Page 5

Israelis Hold Secret Talks With PLO on Recognition

New Contacts in Europe Parallel Resumption of Washington Conference

WASHINGTON — Negotiators from Israel and the Palestine Liberation Organization were holding more secret talks in Europe on Tuesday to hammer out statements of mutual recognition that the two sides hope to issue in the near future, Arab and Israeli diplomats said. In the public diplomacy, Israeli and Palestinian negotiators meeting in Washington at the State Department gathered again Tuesday for their eleventh round. Ostensibly, they were also supposed to be working on the details of the Gaza-Jericho plan. But Arab and Israeli officials said that for now the Washington channel was simply a facade and that the hard-core bargaining is still being done in secret in Europe: not by Israel and Yasser Arafat, chairman of the PLO. Both sides felt they could get more done out of the public eye. The statements of mutual recognition are a key element of the three-part diplomatic process now beginning to unfold between Israelis and Palestinians. One part consists of their agreement in principle for Palestinian self-rule in the Gaza Strip and Jericho. The two sides have already drawn up the broad outlines of the agreement in secret and it was approved by the Israeli cabinet Monday. The PLO's executive committee in Tunis must also give its approval, after which the draft accord is expected to be signed by the two parties in Washington. Another part consists of taking that draft accord and turning it into fine print — that is, a detailed and implementable program, establishing exactly what the Palestinians would control, where the Israeli troops would redeploy and how the two parties would relate on the ground. One month after this fine print is agreed on, the parties would begin implementation. The third part is the exchange of recognition between Israel and the PLO, the final wording of which is being completed in secret talks in Europe. Israeli-PLO mutual recognition, which only weeks ago would have been thought impossible, would enable the two parties to take their own secret peace negotiations and make them the formal, public channel through which all future talks between Israel and the Palestinians will be conducted, and through which the draft accord on the Gaza-Jericho plan could be finalized. In effect, the covert Israeli-PLO relationship of the past few months would be brought out of the closet, and the two formerly bitter enemies would become mutually recognized partners for peace. Israeli and Palestinian negotiators are hoping that the statements of recognition that the two sides are planning to exchange might give a spur to the whole process, and encourage concessions on points of substance. Israeli sources said the director-general of the Israeli Foreign Ministry, Uri Saviv, was meeting with envoys sent by Mr. Arafat in Oslo to try to reach agreement on exactly what language will be used in those declarations of recognition and how they will be delivered. Israel wants the PLO to abrogate its 1964 covenant, which calls for the dissolution of Israel, to renounce the use of violence against Israel inside and outside the occupied territories, and to recognize formally and unconditionally Israel's right to exist — without reservations, escape clauses or traditional PLO ambiguity. PLO officials say they are ready to do so, but the exact wording is not agreed on yet. PLO officials say that for them to abrogate their See TALKS, Page 5



A member of the Popular Front for the Liberation of Palestine painting "No to the Gaza-Jericho plan" on the wall of a refugee camp near Sidon, Lebanon.

China's Recovery Plan Meets Obstacles

BEIJING — Zhu Rongji, China's deputy prime minister, has claimed initial success in his two-month offensive to restore order to the economy, but has warned that the situation remains "relatively grim," state-run media reported Tuesday. Mr. Zhu acknowledged in a report to legislators Monday that Beijing failed to recover two-thirds of nearly 230 billion yuan (\$38 billion) in illegal interbank loans by an Aug. 15 deadline. Recalling the loans as a central part of the deputy prime minister's campaign, launched in July after he was also named central bank governor, to bring down runaway inflation and cool a red-hot economic growth rate of 13.9 percent.

Funds used for speculation in stocks and real estate during the development frenzy of the past 18 months are urgently needed to upgrade China's strained infrastructure. No explanation for the failure to recall the loans was given. But Chinese officials blame resistance from increasingly independent provincial governments and unrealistic expectations by Mr. Zhu. Officials in China's coastal cities say it would be impossible to recover the loans without taking a huge loss on their investments. Mr. Zhu also conceded that it would be "very difficult" to reach the year's goal of controlling the issuing of paper money — a failure officials say would have repercussions for efforts to

control inflation, now running at an annual rate of more than 30 percent in some cities. Money supply grew by \$2.80 billion yuan in the first six months of the year, bringing the total value of banknotes in circulation to 486.3 billion yuan, according to official figures. Another problem touched on by the deputy prime minister was provincial discontent over a shortage of capital, a complaint echoed by foreign investors who say a severe lack of credit has been the only immediate effect of Mr. Zhu's austerity drive. Mr. Zhu warned that this "tension" would "last for a certain period," attributing it to See CHINA, Page 11

U.S. Seeks Trade Accord With China

WASHINGTON (Reuters) — The United States would like to reach an agreement with China to waive an estimated \$1 billion in trade sanctions imposed for alleged breach of international missile control guidelines, a senior State Department official said Tuesday. "We're ready at any time to sit down with the Chinese, both to try to find a way to lift the sanctions if they cooperate but also to explain more fully" the missile technology control and its revised guidelines, said Winston Lord, assistant secretary of state.

Table with financial data: Dow Jones (Up 7.26, 3,651.25), Trib Index (Up 0.41%, 109.09), The Dollar (Dollars close, previous close), Japanese cars (subject to even greater restrictions in Europe), Books (Page 7).

Clinton to Consider Rejoining Unesco

WASHINGTON — A Clinton administration task force has recommended that the United States revive its membership in Unesco, a United Nations agency abandoned by former President Ronald Reagan to signal U.S. dissatisfaction with the world organization. Assistant Secretary of State Douglas Joseph Bennett Jr., who headed the task force, said in an interview that the recommendation set October 1995 as the proposed date for rejoining the UN agency. Amid great fanfare and controversy, the United States withdrew from the United Nations Educational, Scientific and Cultural Organization in 1984, an action that crippled the

agency. The Reagan administration was trying to send a message to the UN system that administrative waste and political antics would not be tolerated by the United States, which pays more dues to the United Nations and its agencies than does any other country. The recommendation to return to Unesco reached the White House earlier this month, but there was no report on whether President Bill Clinton intended to carry it out. Cost could be a problem. The American assessment, which amounts to 25 percent of the Unesco budget, would come to \$65 million if the United States rejoined immediately. For that reason, according to a congressional source, the White House Office of Management and Budget persuaded the task force to recom-

mend a delay until the fiscal year beginning in October 1995. As partial justification for the proposal to return to the Paris-based agency, Mr. Bennett said Unesco had abandoned its controversial political positions. Any attempt to rejoin Unesco could arouse opposition from conservative circles. But there is considerable support from educational and scientific organizations and from congressmen who consider themselves close supporters of the United Nations. With 22 co-sponsors, Representative Esteban E. Torres, Democrat of California, who served as ambassador to Unesco under President Jimmy Carter, introduced a House resolution in May urging President Clinton to rejoin Unesco this year.

Alzheimer's Skin Test Shows Promise

WASHINGTON — A laboratory skin test developed at the National Institutes of Health may be able to identify people with Alzheimer's disease, the mind-destroying disorder that cannot now be diagnosed with certainty until after death, researchers said Tuesday. The test could save money by eliminating extensive clinical testing, and help doctors quickly distinguish those with a fatal disease from those with treatable forms, said Dr. Daniel L. Alkon, who led the research team. "If this test fulfills its promise, it should have an immediate positive impact on our health care delivery system because we can save hundreds of millions of dollars in diagnostic evaluations," he said. Alzheimer's disease is a progressive disorder that destroys memory and the ability to

function. In a living patient, it is diagnosed only after testing that eliminates all other possible causes of dementia. There now is no treatment, and the disease always is fatal. It affects an estimated 2.5 million people in the United States alone. The test is based on the discovery that brain cells in Alzheimer's patients develop a flaw that closes up a microscopic channel through which flows a form of potassium. Dr. Alkon said researchers speculated that if this happens in brain cells, then perhaps it could happen in other cells in the body. They tested cells taken from the nose and skin. In both cases, he said, the test showed that the potassium channels were collapsed. JoAnn McConnell, senior vice president of the Alzheimer's Association, said that if the

validity of the test could be proven it would be important in dealing with the disease. But she warned that other promising tests for Alzheimer's had been disappointing. "We are guardedly optimistic about this," she said. To perform the test, cells are scraped from a patient's skin and then cultured in the laboratory. The cells are then tested with an electrical probe to determine whether the potassium channels are open. Dr. Alkon said that the Alzheimer's tests had been conducted on 50 samples, including some from patients with other forms of dementia. He said the researchers had been able to determine correctly which specimens were from Alzheimer's patients. The researcher said that a much larger experiment now planned would use enough patients to verify the skin test statistically.

Ararat Rebuffs Arab Critics of Self-Rule Pact



CAIRO — Yasser Arafat accused Arab critics Tuesday of "trying to belittle this historic achievement" after Syrian and Jordanian officials complained of having been kept in the dark while the chairman of the Palestine Liberation Organization was negotiating a self-rule agreement with Israel. "We will reach a just and comprehensive peace that will account for the Palestinian people's political rights," Mr. Arafat said in Cairo after a meeting with President Hosni Mubarak of Egypt. King Hussein of Jordan held unscheduled talks with President Hafez Assad of Syria in Damascus, and a Jordanian official said that Amman had not been kept abreast of the negotiations. The Arab parties to the peace talks with Israel — Syria, Jordan, Lebanon and the Palestinians — have repeatedly promised to coordinate their strategy, and they held a meeting for just that purpose in Beirut last week. But a Syrian presidential spokesman, Inbram Kourieh, said after the talks between King Hussein and President Assad that "they discussed the Palestinian-Israeli accord, which was a surprise to the two countries and over which there has been no coordination between Arab parties." He did not elaborate. The Israeli cabinet early Tuesday backed a draft agreement with the PLO for limited Palestinian self-rule in the occupied territories, the first direct step to ending a 45-year-old struggle at the heart of the Arab-Israeli conflict. It provides autonomy for the Gaza Strip and West Bank town of Jericho first and more See PLO, Page 5

EMBATTLED CHAMP — Stefan Edberg, the two-time defending champion and third seed, needed five sets to win his first-round U.S. Open match Tuesday. Page 19.

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Australia Asks Sharing of Spy Data to Curb Missile Race

By Michael Richardson
International Herald Tribune

CANBERRA — Australian officials are working out the details of a proposal for relaying secret information on missile launches in Asia, gathered by a U.S. spy satellite, to nations in the region, provided they adhered to international arms control agreements.

The officials said the United States' recent imposition of sanctions on China for allegedly selling missile components to Pakistan and the successful test of an extended-range missile by North Korea underlined the need for initiatives to prevent a destabilizing arms race in Asia.

China, North Korea, India and Pakistan already have operational ballistic missiles, while South Korea and Taiwan are undertaking development programs, according to Western intelligence sources.

Analysts said that the Australian proposal could become the basis for a regional

early-warning system against missile attack. Countries in the system would have access to Western or Russian missiles for destroying incoming missiles in midair.

The American spy satellite uses infrared sensors to detect the heat from missile launches. The satellite, which monitors an area from the eastern Mediterranean to the western Pacific, is controlled by the United States and Australian military from a base at Nurrungar in central Australia.

Australian foreign affairs and military officials said they regarded the plan to share information gathered by the base as potentially important leverage in encouraging Asian nations to support ballistic missile control arrangements.

"This would be the ultimate in transparency," said Desmond Ball, a senior fellow in the Strategic and Defense Studies Center at the Australian National University in Canberra, "because the satellite would immediately expose any country that engaged

in covert test firing or launches and provide early warning in the event of an attack."

An Australian defense official said that such an arrangement could increase regional confidence in a missile control accord.

The U.S. spy satellite was used to alert American Patriot anti-missile batteries when Iraq launched Scud missiles against Saudi Arabia and Israel during the Gulf War.

Gareth Evans, Australia's foreign minister, said that Nurrungar had "played a very large part in helping to defend civilians in Israel and Saudi Arabia from attack by such missiles."

He said that in the future, the facility could "help to deter the proliferation of ballistic missiles around the world, including in our own region."

The early-warning capabilities of Nurrungar "offer possibilities for new orders of

cooperation with direct benefit to our neighbors' own security," he added.

Preventing the spread of missiles and related technology is central to global arms control because many of the missiles can carry nuclear, chemical or biological weapons of mass destruction as well as standard high-explosive warheads.

Australian officials said that the proposal to share information with Asian countries that adhere to key arms control agreements was still being developed. It has not been discussed in detail with the United States or suggested to regional nations, they said.

However, the Clinton administration, which is reviewing U.S. policy on missile defense, seems likely to support the Australian proposal.

Mr. Evans noted that the United States, Russia and other states, including Australia, "have been exploring in recent times a global protection system, with one option

being to share data on ballistic missile launches." He added that "Nurrungar would be a key element in such a system."

At their summit meeting in Washington in June 1992, President George Bush and President Boris N. Yeltsin of Russia said they had agreed to establish a high-level group of officials from the two nations to explore the potential for sharing missile early-warning information and cooperating with "participating states in developing missile defense capabilities and technologies."

At a meeting with foreign ministers from 11 Asia-Pacific countries in Singapore in late July, the U.S. secretary of state, Warren M. Christopher, said the need for strong international efforts to combat the spread of weapons of mass destruction and their means of delivery was at the top of America's security agenda.

He said that proliferation of such weapons was "a growing problem" for Asia

WORLD BRIEFS

Top Italy Judge Under Investigation

ROME (Reuters) — Judge Diego Curcio on Tuesday became the first senior legal figure to be placed under investigation in Italy's graft scandal.

The Justice Ministry said it was opening an inquiry into the conduct of Judge Curcio, the vice president of Milan's civil court and head of its commercial division. The ministry said it had acted on documents from the public prosecutor's office in the northern town of Brescia.

Brescia magistrates had warned Judge Curcio that he faced an inquiry over allegations of abuse of office in connection with the Enimont chemical company corruption inquiry. Judge Curcio is being investigated over a November 1990 court order that froze the Ferruzzi group's Enimont shares at the request of the state-run energy company ENI, a partner in the short-lived Enimont joint venture, whose creation and sale may have generated as much as \$280 million in kickbacks and bribes.

Seoul to Press Russia Over KAL 007

SEOUL (Reuters) — South Korea said Tuesday that it would appeal again to Moscow for compensation for the shooting down of a Korean airliner in 1983, despite Russia's claim that the Soviet Union bore no guilt in the incident.

"Our position that Russia is liable to pay compensation remains unchanged," a Foreign Ministry spokesman said on the eve of the 10th anniversary of the incident. The government is seeking payments for families of the 269 people who were killed in the downing of Korean Air Lines Flight 007.

Russian officials said Monday that the Soviet Union bore no guilt for shooting down the airliner and laid the blame instead on pilot error and a series of fateful coincidences. Sergei Filatov, head of a state commission investigating the accident, said Soviet air defense forces firmly believed they were intercepting an enemy spy plane when they shot down the airliner off Russia's Sakhalin Island on Sept. 1, 1983. The plane had strayed into Soviet airspace on a flight from Anchorage, Alaska, to Seoul.

Lagos Remains Halted by Strike

LAGOS (Reuters) — Strikes aimed at the government and at high fuel prices crippled economic activity in Lagos on Tuesday despite appeals from the new interim government to the unions to call off the 3-day-old action.

In Nigeria's inland capital, Abuja, Ernest Shonekan, the head of the unelected interim government that the unions want to force out through the strike, was meeting the leaders of the umbrella Nigeria Labor Congress on Tuesday, officials said.

In Lagos, banks, shops and factories remained closed. "We are on strike because we want a democratic government," said one striker.

Iran Holds Maneuvers Near Armenia

TEHRAN (AFP) — A force of about 10,000 Iranian troops conducted maneuvers near the Armenian border after Tehran warned that it would not tolerate an Armenian offensive in Azerbaijan, state-run radio reported Tuesday.

The maneuvers, involving the 21st Battalion of the army's elite ground forces as well as the air force, took place in the border area of Marand, 50 kilometers (30 miles) from the autonomous Armenian region of Nakhichevan in Azerbaijan and 70 kilometers from Armenia proper, according to the radio.

UN Copters Active Over Mogadishu

MOGADISHU, Somalia (Reuters) — UN helicopters swooped over the Mogadishu on Tuesday in a show of force around positions of the fugitive warlord General Mohammed Farrah Aidid.

A UN spokesman said there were more Somali attacks on UN targets late Monday and early Tuesday. He said militiamen believed to belong to General Aidid's faction fired at Turkish and Pakistani peacekeeping troops, but no casualties were reported.

The spokesman, at a Tuesday news briefing, did not offer any explanation for the night activity that followed a raid Monday on houses used by aid organizations in a bungled attempt to grab suspected Aidid aides.

Correction

An article from Brussels about NATO countries expressing alarm over the deteriorating situation in Mostar was credited to the wrong news agency in Aug. 24 editions. The article was provided by Agence France-Presse.

TRAVEL UPDATE

Pilots Pan Airbus A-320 and DC-10

NEW YORK (AP) — The Airbus A-320 is the least safe narrow-bodied plane and the DC-10 the least safe wide-body, according to a survey of 245 commercial airline pilots.

They rated the Boeing 727 and 757 as the safest narrow-body jets and the Boeing 747 as the safest wide-body. Thirty-eight percent of the pilots said they had been in situations in which they thought an accident was likely. Four percent said they had seen a crew member come aboard drunk.

Eighty-two percent of the pilots said National Airport in Washington was among the most challenging for landings in the United States. La Guardia was the runner-up, named by 71 percent. Other airports and their percentage of mentions in the survey: San Diego, 47.3 percent; Los Angeles International, 19.2 percent; Chicago's O'Hare, 13.1 percent; San Francisco, 12.2 percent; New York's Kennedy, 6.5 percent; Atlanta Hartsfield, 4.1 percent; Denver, 3.7 percent; and Boston's Logan, 2.9 percent.

For Some, India's Rejection Of British Raj Is Cast in Stone

By John Ward Anderson
Washington Post Service

NEW DELHI — Hidden in an overgrown marsh on the northern outskirts of Delhi, the magnificent marble figure of King George V presides over a mortuary of other British Raj statues that have been banished from prominent perches around the capital.

Statues of British viceroys, governors and other notable colonialists who ruled India for 200 years pose atop huge sandstone pedestals amid wild, waist-high grass. Many of the 8-foot (2.4-meter) plinths bear no figures at all. Scrub

saving the statues should stay put. "If you put them out," he said, "people would probably blow them up or deface them."

But he said the park could be improved. "It doesn't have to be the wasteland it is now."

Ironically, King George himself designated the site that was ultimately to become home to his statue and the others. It was here, shortly after being crowned in 1911, that King George presented himself to his Indian subjects in a ceremony attended by more than 150,000 people. Accompanied by Queen Mary, he observed parades and artillery salutes from two pavilions, one topped with golden domes and draped in red satin.

The new monarch — wearing a crown adorned with 6,000 diamonds, 4 large sapphires, 4 rubies and 9 emeralds — sat in a solid silver chair and officially informed the gathered masses that he was their emperor. Then he stunned his audience by unveiling two foundation stones for a new imperial city on the site and ordering that the seat of government be transferred from Calcutta.

"The people of Calcutta were horrified and foretold that Delhi was the graveyard of empires," Mr. Hankin said, "and so it was."

He said that in an effort to keep the shift secret until the king could announce it, only 10 people were notified in advance. When engineers surveyed the site, however, they discovered that it was subject to frequent flooding and decided instead to locate the new government complex south of the city, creating what is now New Delhi.

In the early 1960s, when city officials ordered removal of all British statues from Delhi streets to make

room for monuments to Indian patriots and other hometown heroes, it seemed appropriate to relocate the statues to the site of King George's announcement.

Today, a statue of Queen Victoria in front of the Delhi College of Art is the only monument to British royalty that remains on public display in the capital. The statue was originally outside Delhi's city hall, then was transferred to Coronation Park with the rest. But when vandals cut off its left hand, it was moved to its current site for safer keeping.

So the chiseled white-marble effigy of George V, Victoria's grandson, remains the park's centerpiece, a regal figure clad in coronation vestments, including a 10-foot-long train and the imperial diadem. It originally stood beneath an elegant canopy in the most prominent site for a statue in the country — the center of a traffic circle next to New Delhi's majestic India Gate — as much a symbol of the city as the Eiffel Tower is of Paris.

The canopy, which was custom-made for the statue by the architect of New Delhi, Edwin Lutyens, still stands vacant in the circle after more than 30 years, proving that it's easier to displace a statue than to agree on a replacement.

Some people believe that a statue of modern India's founding father, Mahatma Gandhi, should be installed under the canopy. Others argue that the site, which overlooks the parade route of India's military hardware every Republic Day, would be inappropriate for the likeness of a humble pacifist.

Which leaves George V poking above the trees of Coronation Park, chipmunks scurrying at his feet and pigeons soiling his head.



FOOD FOR THE FAITHFUL — Pakistanis distributing food Tuesday to participants in a procession in Rawalpindi held to mark the anniversary of the birth of the prophet Mohammed.

China Won't Rule Out Force to Regain Unity With Taiwan

Compiled by Our Staff From Dispatches

BEIJING — China issued a major policy paper Tuesday on Taiwan, repeating its offer of peaceful unification but threatening military force if necessary to retake the island.

"Peaceful unification is a set policy of the Chinese government," the cabinet said in its "white paper" on Taiwan.

"However, any sovereign state is entitled to use any means it deems necessary, including military ones, to uphold its sovereignty and territorial integrity."

The document accuses the U.S.

government of continuing to prolong divisions between China and Taiwan, most recently in 1992 by agreeing to sell Taipei 150 advanced F-16 jet fighters.

The document warned countries in the United Nations not to support Taiwan's bid to rejoin the world body, describing it as a maneuver to create "two Chinas."

The white paper came as Beijing and Taipei settled into the first round of ground-breaking talks on improving links long fraught by Cold War suspicions and bitter memories of China's civil war in the late 1940s.

Chinese and Taiwan negotiators have met in Beijing to start working out how to handle the explosive growth of economic, family and tourism ties as tensions eased in recent years. The talks, carefully described as "unofficial" to circumvent Taipei's standing ban on official contact, represent the latest in a series of high-level meetings.

Taiwan's prime minister rejected the policy paper, saying the document was "stereotyped" and failed to promote reunification.

"Faced with the problem of China's reunification, one cannot just talk about ideals and ignore the

facts," said Prime Minister Lien Chan. "It is a fact that China has been divided for 50 years."

"If Communist China cannot change its stereotyped mode of thinking, it will provide no help to China's reunification," the semi-official Central News Agency quoted Mr. Lien as saying.

A Foreign Ministry spokesman reiterated Taiwan's determination to rejoin the United Nations, from which it was ousted by China in 1971.

The Communist government in Beijing regards Taiwan as a renegade island province ruled by the

nationalist government. The Nationalists, who fled the mainland in 1949 after losing the civil war, also claim to be the sole legitimate government of China.

China's strict attitude toward Taiwan's political status appears to reflect fears among Beijing's leaders that time is growing short.

With agreements already in

place to renege the British colony of Hong Kong in 1997 and the Portuguese enclave of Macao in 1999, Taiwan is now the only issue standing in the way of the Communists' pledge to unify the nation.

The paper restated China's forecasts as long as it bows to Beijing on diplomatic issues.

(Reuters, AP)

Tapes Confirm Extortion Plot, Jackson Aides Say

By Chuck Philips and David Ferrell
Washington Post Service

LOS ANGELES — The scup of a kidnapping Michael Jackson has taken an unexpected twist with the release of secretly recorded tapes that the singer's advisers have used to buttress allegations of an extortion plot against him.

The tapes purport to contain

comments from the father of a 13-year-old boy who has become the key figure in a police investigation of Mr. Jackson for alleged child molestation, sources said.

"There will be a massacre if I don't get what I want," the father said during 30 minutes of apparently edited telephone conversations between the father and the boy's stepfather, who were part of a bitter custody battle. Sources said the tapes were recorded by the stepfather in July.

At no point, however, did the boy's father spell out what he might want from Mr. Jackson or detail any allegations against Mr. Jackson. Throughout the tapes, the father demanded to meet with Mr. Jackson, the child and the boy's mother, from whom he was divorced at least seven years ago.

"I have the evidence" against Mr. Jackson, the father said, "You'll hear it on tape recordings."

The police have said their investigation had not produced physical or medical evidence that would support a criminal filing, but they are still interviewing people and reviewing photographs confiscated from Mr. Jackson.

[In Singapore on Tuesday, Mr. Jackson apologized to fans for cancelling a concert the night before and said he would perform as promised Wednesday night. Reuters reported.]

"I was suddenly taken ill last night and I'm sorry for the cancellation of my performance," Mr. Jackson said in a recorded statement. Doctors said he had suffered from a migraine. He was taken to a hospital Tuesday for an examination, including brain scans. Doctors said the results were normal.

Mr. Jackson's advisers say they have turned over a copy of the tape to the Los Angeles Police Department which, sources say, is investi-

gating allegations that the singer was a target of a \$20 million extortion attempt.

The tape recordings and the accounts of Mr. Jackson's aides portray a celebrity besieged for six weeks by demands from an insistent parent who alleged that his son had been molested and who wanted to be compensated through lucrative movie development and screenwriting deals.

Throughout the tapes, the father appears to threaten going public with his allegations, saying he feels compelled to do what is best for his son.

"Once I make that phone call," the father said, "Michael's career will be over."

Mr. Jackson's attorney, Howard Weitzman, cited the tape as evidence of an extortion attempt, which has been alleged by Mr. Jackson's advisers since the day the scandal broke.

AMERICAN TOPICS

Tempting Ecumenical Menus For World's Religious Leaders

With just five loaves and two fishes, the Bible says, Jesus fed the multitudes. The job is nearly as daunting, Debra Hale of The Associated Press reports, for chefs at the Chicago hotel where 6,000 religious leaders from throughout the world have converged for the nine-day Parliament of the World's Religions.

On hand are representatives of Protestantism, Hinduism, Judaism, Islam and other faiths — many with exacting dietary requirements that the Palmer House Hilton Hotel's kitchen staff of 450 is doing its best to cope with.

Muslims require beef that has been slaughtered in a particular way. Fortunately, the Muslim delegates have brought their own meat. Similarly, kosher food for Jewish delegates came prepackaged. A rabbi monitors everything prepared in the hotel's kosher kitchen, which is separate from its eight other kitchens.

And because so many religions object to pork, said Gene Anderson, the hotel's food

and beverage manager, "we're not going to serve that at all."

The hotel also is changing buffet offerings in four of its five restaurants to add vegetarian items. Many of these will be made without dairy products to accommodate the strictest vegetarians. And for Mormons, who object to caffeine, there'll be plenty of Postum, a caffeine-free beverage made from toasted grain.

Short Takes

Psychology has been combined with ecology to form a new discipline, ecopsychology. It examines the human connection — or lack of it — to nature. "Wilderness experience seems to disrupt people's normal habits and usual sense of themselves, opening the way for change," said Robert Greenway, a psychologist at Sonoma State University in California and a pioneer of the movement. Mr. Greenway, who has taken more than 1,400 people into the wilderness for weeks at a time, says, "They report an increased awareness and power, a sense of energies obtained from nature." At least a dozen colleges, including Harvard Medical School, now offer courses on ecopsychology.

Movie exhibitors learned long ago that outdoor theaters took up too much space and had too few screens to justify the expensive tracts of land they occupied. And so the drive-in era is fading fast across the United States. From a peak of more than 4,000

outdoor movie screens in the 1950s, there were just 899 remaining in 1991, according to the most recent survey by National Association of Theater Owners. Those that survive have changed somewhat: the posts with soundboxes have been replaced with sound systems broadcast to car radios, playgrounds are gone for insurance reasons and theaters charge by the person, not the carload.

In West Los Angeles, a huge billboard, which at first glance seems to be advertising a new film, shows a husky bare-chested man embracing a voluptuous woman as they gaze soulfully into each other's eyes. But the man has a foot, rather than a hand, growing out of his forearm, and the woman has three breasts. They stand next to barrels marked "Danger — Radioactive Waste," and the title of their supposed film is "Mutated Love." The billboard was put up by a Hollywood environmentalist group that opposes the forthcoming establishment of a federal storage site for nuclear waste in the California desert.

In an article in Arizona Highways magazine about trail rides, Marilyn Taylor recounts being told by a 78-year-old wrangler, "Hon, I'll tell ya once and only once how ya know if a cowboy's lym' — it's when his lips is movin'." (This remark can be retold to fit any other group, and no doubt already has been.)

Arthur Higbee

OVER THE HORIZON



Edna and Horace, unaware of advanced telecommunications, put their trust in carrier persons.

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Bolivia	0-800-2322	Finland	9800-102-80	Kuwait	800-MCI (800-624)	Spain	900-99-0004
Brazil	000-8012	France	19-00-19	Lebanon	425-036	Sweden	020-755-922
Chile	00-0916	Germany	030-0012	Mexico	55-800-674-7000	Switzerland	155-0222
Colombia	980-16-0001	Greece	00-800-1211	Netherlands	06-022-91-22	Turkey	99-800-1177
Cyprus	080-900000	Hungary	00-800-0911	Norway	050-1292	UAE	800-111
Czech Rep	00-42-00012	India	000-127	Peru	001-190	United Kingdom	0800-89-0222
Denmark	8001-0022	Ireland	1-800-561-001	Poland	071-04-800-222	Uruguay	000-412
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STATESIDE / CLINTON'S AGENDA

POLITICAL NOTES

President Gets an Earful, Thanks to Satellite

WASHINGTON — As President Bill Clinton took his place behind the lectern, one of his aides whispered a small fact to a colleague about the exercise in new technology and politics that was about to begin.

Air Force Quick-Response Wing Draws Attack

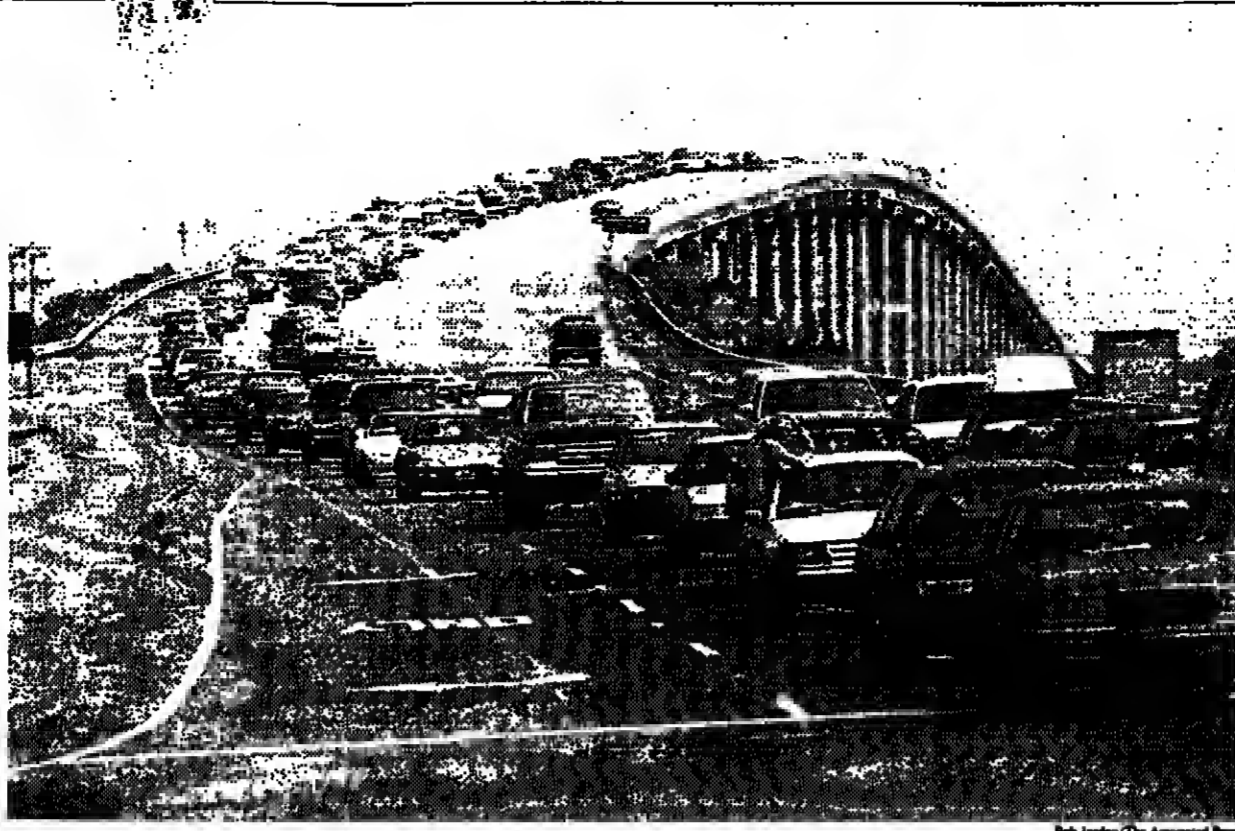
MOUNTAIN HOME AIR FORCE BASE, Idaho — As part of its post-Cold War reorganization, the air force is creating a set of quick-response wings to dispatch to world crises on a moment's notice.

Quote/Unquote

President Bill Clinton, in a speech Tuesday to students who participated in a summerlong pilot program, part of his plan for a national service program: "If every American did what you did for the last two months, if we all could do that for several years, we could revolutionize our country."

Away From Politics

- Twelve members of the Branch Davidian cult have been ordered by a federal judge in Waco to stand trial in November on charges of conspiring to murder four federal agents killed to the Feb. 28 raid on their compound.



Auto traffic backed up on a bridge from North Carolina's Outer Banks as residents fled the path of the advancing hurricane.

Storm Hits Carolina Islands and Turns North

HATTERAS, North Carolina — Hurricane warnings were extended up the East Coast on Tuesday as a storm, drawing strength from the Gulf Stream, brushed North Carolina's barrier islands.

Gore Draft Plan Urges Biennial Budget

By Stephen Barr and Eric Pianin Washington Post Service WASHINGTON — Vice President Al Gore's National Performance Review will recommend that the government adopt a budget every two years instead of annually and ask Congress to loosen its control over spending, according to a draft report.

The draft recounts Washington's failures — from the budget deficit to wasteful practices to ineffective regulations. Government workers "fill out forms that should never have been written, follow rules that should never have been imposed and prepare reports that serve no purpose — and are often never even read," the report says.

The idea of going to a biennial budget is already gathering steam on Capitol Hill, but efforts to tamper with the right of appropriations committees to earmark funds for specific projects are likely to encounter strong resistance.

In addition to revamping the budget process, the draft report of the administration's "reinventing government" initiative outlines major changes to the civil service system and promises to "eliminate thousands of other regulations that hamstring federal employees."

The draft prescribes a series of executive orders for President Bill Clinton to issue and provides a list of recommendations that require congressional approval. Many are aimed at saving money or making government more responsive to taxpayers. They include:

- Restructuring the national air-traffic control system into a government-owned corporation, supported by user fees and governed by a board "that represents the system's customers."

UNIQUE OPPORTUNITY CRYSTAL CLEAR THE BONA FIDE OFFER OF A COLLECTOR OF CRYSTALS

Washington Faces A Busy September Of Policy Overload

By Robin Toner New York Times Service

WASHINGTON — Nobody expects the health-care overhaul to be easy. Nobody expects the struggle over the North American Free Trade Agreement to be neat. Both measures require an enormous amount of public education, some delicate coalition-building and a hard and complicated sales job in Congress.

Now, a capital that has barely recovered from the battle over President Bill Clinton's economic plan is watching with some wonderment as the administration begins to tackle both these issues in a single month — plus Vice President Al Gore's proposals to "reinvent government."

September may be the quintessential Clinton experience, the month of policy overload. Administration officials maintain that they have little choice in the matter. They say they must begin the push for the free trade agreement now for it to stand a chance of passage before the end of the year.

Moreover, aides say, the president is intent on moving ahead with both measures, as well as with Mr. Gore's proposals to make the government more efficient and responsive to an ever-present Ross Perot and a Congress supposedly still hungry for budget cuts.

As a result, after considerable jockeying in the administration between the forces of health care and the champions of free trade, the White House has developed a carefully sequenced — and jam-packed — communications strategy.

Mr. Gore's drive to streamline the government will be highlighted the week after Labor Day, which falls on Sept. 6. The push for the free trade pact will take the presidential spotlight soon thereafter, and the health plan will probably be presented to the nation on Sept. 22, with a flurry of health-related events before and after.

This is a great deal to ask of the body politic, many officials acknowledge. "We learned in the budget debate that it is hard for the country to take on more than one debate

and issue at a time," said Representative Richard A. Gephardt of Missouri, the House Democratic leader. "You lose the edge and the focus. But you don't live in a perfect world, and it's not always possible to get the big debates isolated."

The fear, of course, is that the early days of the health-care campaign will have to compete with a messy, bitter fight over free trade.

The synergy between the two issues could be particularly complex, since they have, to some important respects, cross-cutting constituencies. Organized labor, for example, will be leading the opposition to the trade agreement, but is expected to be among the principal advocates of overhauling health care.

"It's not a pleasant feeling, going in one door and fighting on the one hand, walking in the other and saying this is what we're for," said Robert M. McGlothen, legislative director for the AFL-CIO.

There was no clearer sign of the tensions in this Democratic base constituency than Saturday's march on Washington to commemorate the 30th anniversary of the Reverend Dr. Martin Luther King Jr.'s "I have a dream" speech. The crowd, drawn heavily from the ranks of organized labor, was a sea of anti-free trade signs — interspersed with placards calling for changes in the health-care system.

Much of the House Democratic caucus, including many of its leaders, will be working against the free trade agreement, at the same time the administration will be counting on those same Democrats to begin selling the health care plan. Most professional politicians are accustomed to shifting conditions as they move from one issue to another, but both health care and free trade are extremely emotional issues.

"There's just so much angst that the country and political people will be willing to deal with at one time, having just come over a very high hurdle on the budget," said Representative David E. Bonior of Michigan, the House Democratic whip and a longtime opponent of the trade agreement.

"Health care is what he got elected on," he said, referring to Mr. Clinton. "It certainly wasn't NAFTA. And that ought to be the focus to the fall."

Israel-PLO accord The Blair House farm agreements Japan's new administration China's relations with the West Chaotic capitalism in Russia ... news which affects our world. Shouldn't you be following it daily in the IHT? Subscribe 44% and save up to 44% off the newsstand price

NASA Bars Probe Maneuver The Associated Press PASADENA, California — Project scientists at NASA's Jet Propulsion Laboratory have rejected a proposal to restart the computer aboard the Mars Observer spacecraft.

People at the top read the Trib. Le Cabaret-Restaurant Russe RASPOUTINE 58, rue de Bassano - 75008 PARIS

Dining Out ANSTERDAM BRASSERIE DE ROODE LEEUW PARIS 7th LA PETITE CHAISE THOUMIEUX PARIS 15th LE WESTERN PARIS 17th CHEZ FRED PARIS 6th LE BILBOQUET PARIS 6th YUGARAJ PARIS 6th

150 من الأصل

MIDEAST ACCORD / TALKS ADVANCE DESPITE ACRIMONY

Norwegians Played A Discreet Role in Facilitating Talks

By David Hoffman

Washington Post Service

JERUSALEM — At a century-old mansion to a small town in Norway, there were frequent and unusual bursts of activity this spring.

The Norwegian secret service discreetly made sure the surrounding forest was empty of passers-by. The lights to the old mansion sometimes flickered late into the night. Neighbors were told it was just two professors writing a book.

But it was much more than that. The old mansion was the site of a remarkable chapter in secret diplomacy between Israel and the Palestine Liberation Organization, sworn enemies for 30 years. In 14 meetings at the mansion and elsewhere in Norway, Israelis and Palestinians hammered out a set of common principles which, if implemented, could guide the resolution of their long conflict.

This account of the origins of the channel is based on interviews in recent days with diplomats and others directly involved.

A lesson from the secret talks was the value of a small, private negotiation. During the entire time that the secret channel was being used—seven months in all—there were formal peace talks ongoing in Washington. Yet the secret contacts bypassed almost all the major players in the Washington talks. Eyalim Rubinsten, the veteran Israeli negotiator in talks with Yassir Arafat, then a Labor member of the parliament close to Shimon Peres.

The fieldwork for the Norwegian study was carried out last summer, just as Yitzhak Rabin was taking office as prime minister. Mr. Belin was deputy foreign minister in the new government.

On Sept. 10, 1992, Jan Egeland, Norway's state secretary for foreign affairs, made an unannounced visit to Tel Aviv to see Mr. Belin. He had been following the protocol study, and suggested something much more far-reaching: that Norway could help create a secret bridge between Israel and the PLO leadership in Tunis.

According to Mr. Egeland, Mr. Belin liked the idea but was wary. At the time, Israeli law criminalized contacts with the PLO. Although efforts were under way to get the law changed, Mr. Belin told the Norwegian that it would have to be an unofficial channel. Mr. Belin became Israel's coordinator of the channel in Jerusalem, although he never attended any of the meetings in Norway.

At the time Mr. Rabin's government was formed, he gave Mr. Peres the foreign minister's portfolio, but only delegated to him the unglamorous job of overseeing the

multilateral peace talks, on such issues as water and refugees. Mr. Rabin kept for himself the high-profile bilateral talks with the Palestinians, Syria, Lebanon and Jordan.

According to Israeli sources, using the multilaterals as the cover, Mr. Peres made indirect contacts with Abu Arafat, or Ahmed Khatib, a senior PLO official who the PLO chairman, Yasser Arafat, had put in charge of the multilateral talks. In the next few months, the sources said, Mr. Krafi became the link between Mr. Arafat and Israel.

Dedi Zucker, a member of parliament, said the back channel brought Mr. Rabin and Mr. Peres together.

"It was a combination of two different people who are both at the end of their careers, and knowing that fighting each other would lead them nowhere. One came with imagination and vision and a belief in a better future. And the other brought a lot of skepticism and pragmatism."

At first, on Jan. 20 to 22, the Norwegian research team set up a meeting between Israelis who were not government officials and PLO representatives in Norway.

"This was to be an academic exercise," Mr. Larsen said, about living conditions in the territories. But the first session made it clear "the motivating factor was that both sides really wanted to end a generation of hostilities," Mr. Egeland said.

When Israel later repealed the law banning contacts with the PLO, the pace of secret contacts quickened.

Mr. Belin had, a few years earlier, floated the idea of a unilateral pullout from the Gaza Strip, and was widely criticized in his own Labor Party by people who said he would allow the creation of a Palestinian state. But after violent attacks on Israeli soldiers last winter, the idea of a Gaza pullout was becoming popular among Israelis. Leftist ministers in Mr. Rabin's government announced their support for a "Gaza First" plan in which Israel would get out of the Gaza Strip.

But to the talks to Norway, the Palestinians scooped. "We came with Gaza, and the other side said that giving up Gaza is a prize, not a price," an Israeli source said. The PLO replied to the Israelis that it would, however, consider Gaza and the West Bank town of Jericho as a package experiment in Palestinian self-rule.

In March, there were more meetings to Norway. To avoid attention, Mr. Larsen had found the old mansion. By this time, high-level Israeli officials were attending the sessions with the PLO official, who had a direct link to Mr. Arafat. "We closed off large areas to allow for walks in the woods," said Mr. Larsen. "We were choosing a model opposite of the one in Washington, very small delegations, a very informal atmosphere, to build personal confidence. They were actually living to the same house, living very closely together."

The Palestinians and Israelis shared breakfast, lunch and dinner, and often stayed up late into the night, drinking and talking.

Timetable for Palestinian Autonomy

After the joint declaration takes effect, a month following its approval, autonomy for Palestinians in the West Bank and Gaza Strip is scheduled to proceed as below:

WITHIN TWO MONTHS

The two sides will sign an agreement on Israeli military withdrawal from Jericho and the Gaza Strip.

WITHIN FOUR MONTHS

Military withdrawal from Jericho and Gaza will be completed. The two sides will begin negotiations on the status of the West Bank and Gaza Strip.

WITHIN NINE MONTHS

Final negotiations on the status of the West Bank and Gaza Strip will begin. The two sides will begin to discuss the status of the West Bank and Gaza Strip.

WITHIN FIVE YEARS

Final negotiations on the status of the West Bank and Gaza Strip will be completed. The two sides will begin to discuss the status of the West Bank and Gaza Strip.

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Who Holds What

GOLAN HEIGHTS

72,000 Israelis / 0 Palestinians
The area was part of Syria until captured by Israel in the 1967 war. Some of it was returned as part of the 1974 disengagement accord. The rest of the Golan Heights was virtually annexed by Israel in 1981.

THE WEST BANK

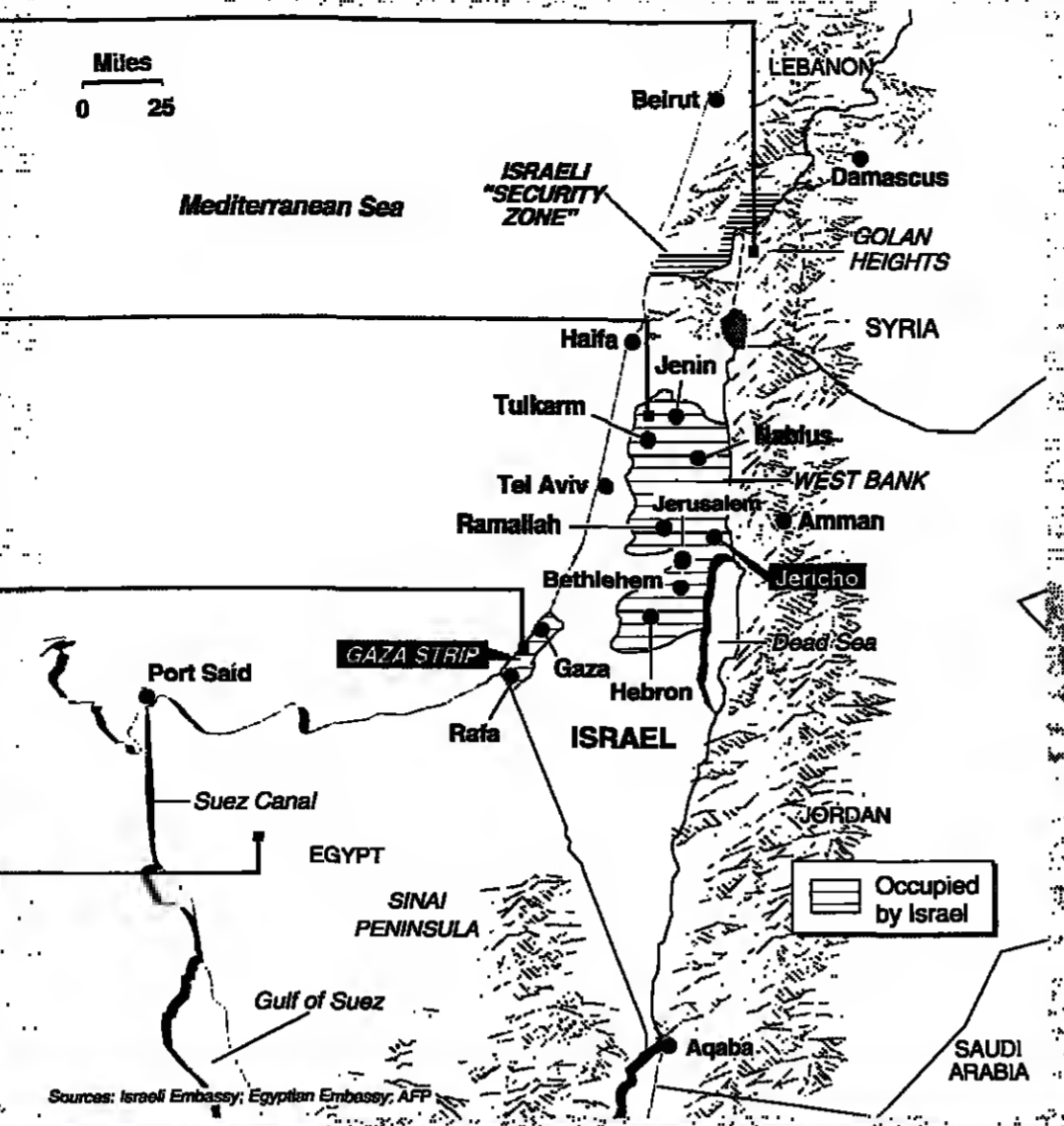
100,000 Israelis / 1 million Palestinians
Captured by Israel from Jordan in the 1967 war. Includes the city of Jericho. East Jerusalem was also captured and later annexed by Israel.

GAZA STRIP

3,300 Israelis / 800,000 Palestinians
Under Egyptian administration until Israel captured it in the 1967 war. Under a draft accord described by officials, Palestinian self-rule would begin in Gaza and Jericho.

SINAI PENINSULA

700,000 Egyptians
Captured by Israel from Egypt in the 1967 war and returned to Egypt under the 1978 Egyptian-Israeli peace treaty. The status of Gaza and the West Bank was to have been worked out under the Camp David accord of 1978.



Sources: Israeli Embassy; Egyptian Embassy; AFP

Elections, Security and Disputes: Excerpts From Accord

Agence France-Press
Following are excerpts from an Israeli version of the draft declaration of principles on Palestinian interim self-government arrangements in the occupied territories.

Agence France-Press said it had obtained the English-language text of the agreement, approved by the Israeli cabinet Tuesday, from the Yedioth Achronoth newspaper.

DECLARATION OF PRINCIPLES ON INTERIM SELF-GOVERNMENT ARRANGEMENTS

The government of the State of Israel and the Palestinian team (in the Jordanian-Palestinian delegation to the Middle East Peace Conference—the "Palestinian delegation"), representing the Palestinian people, agree that it is time to put an end to decades of confrontation and conflict, recognize their mutual legitimate and political rights, and strive to live in peaceful coexistence, and mutual dignity and security and achieve a just, lasting and comprehensive peace settlement and historic reconciliation through the agreed political process. Accordingly, the two sides agree to the following principles:

Article I

AIM OF THE NEGOTIATIONS

The aim of the Israeli-Palestinian negotiations within the current Middle East peace process is, among other things, to establish a Palestinian interim self-government authority, the elected Council, (the "Council") for the Palestinian people in the West Bank and the Gaza Strip for a transitional period not exceeding five years, leading to a permanent settlement based on Security Council Resolutions 242 and 338.

It is understood that the interim arrangements are an integral part of the whole peace process and that the negotiations on the permanent status will lead to the implementation of Security Council Resolutions 242 and 338.

Article II

FRAMEWORK FOR THE INTERIM PERIOD

The agreed framework for the interim period is set forth in this Declaration of Principles:

Article III

ELECTIONS

1. In order that the Palestinian people in the West Bank and Gaza Strip may govern themselves according to democratic principles, direct, free and general political elections shall be held for the Council, under agreed supervision and under international observation, while the Palestinian police will ensure public order.

2. An agreement will be concluded on the exact mode and conditions of the elections in accordance with the protocol attached as Annex I, with the goal of holding elections not later than nine months after the entry into force of this Declaration of Principles.

3. These elections will constitute a significant interim preparatory step toward the realization of the legitimate rights of the Palestinian people and their just requirements.

Article IV

JURISDICTION

Jurisdiction of the Council will cover West Bank and the Gaza Strip territory except for issues that will be negotiated in the permanent status negotiations. The two sides view the West Bank and Gaza Strip as a single territorial unit whose integrity will be preserved during the interim period.

Article V

TRANSITIONAL PERIOD AND PERMANENT STATUS NEGOTIATIONS

1. The five-year transitional period will begin upon the withdrawal from the Gaza Strip and Jericho area.

2. Permanent status negotiations will commence as soon as possible, but not later than the beginning of the third year of the interim period, between the government of Israel and the Palestinian people representatives.

3. It is understood that these negotiations shall cover remaining issues, including: Jerusalem, refugees, settlements, security arrangements, borders, relations and cooperation with other neighbors, and other issues of common interest.

Article VI

PREPARATORY TRANSFER OF POWERS AND RESPONSIBILITIES

1. Upon the entry into force of this Declaration of Principles and the withdrawal from the Gaza Strip and the Jericho area, a transfer of authority from the Israeli military government and its civil administration to the authorized Palestinians for this task, as detailed herein, will commence.

2. Immediately after the entry into force of this Declaration of Principles and the withdrawal from the Gaza Strip and Jericho area, with the view to promoting economic development in the West Bank and Gaza Strip, authority will be transferred to

the Palestinians on the following spheres: education and culture, health, social welfare, direct taxation, and tourism. The Palestinian side will commence in building the Palestinian police force, as agreed upon. Pending the inauguration of the Council, the two parties will negotiate the transfer of additional powers and responsibilities, as agreed upon.

Article VIII

PUBLIC ORDER AND SECURITY

In order to guarantee public order and internal security for the Palestinians of the West Bank and the Gaza Strip, the Council will establish a strong police force, while Israel will continue to carry the responsibility for defending against external threats, as well as the responsibility for overall security of Israel for the purpose of safeguarding their internal security and public order.

Article XI

ISRAELI-PALESTINIAN COOPERATION IN ECONOMIC FIELD

Recognizing the mutual benefit of cooperation in promoting the development of the West Bank, the Gaza Strip and Israel, upon the entry into force of this Declaration of Principles, an Israeli-Palestinian Economic Cooperation Committee will be established in order to develop and implement in a cooperative manner the programs identified to the protocols attached as Annex III and Annex IV.

Article XIII

REDUPLICATION OF ISRAELI FORCES

1. After the entry into force of this Declaration of Principles, and not later than the eve of elections for the Council, a redeployment of Israeli military forces in the West Bank and the Gaza Strip will take place, in addition to the withdrawal of Israeli forces carried out in accordance with Article XIV.

Article XIV

ISRAELI WITHDRAWAL FROM THE GAZA STRIP AND JERICHO AREA

Israel will withdraw from the Gaza Strip and Jericho areas, as detailed in the protocol attached as Annex II.

Article XV

RESOLUTION OF DISPUTES

1. Disputes arising out of the application or interpretation of this Declaration of Principles, or any subsequent agreements pertaining to the interim period, shall be resolved by negotiations through the Joint Liaison Committee to be established pursuant to Article X above.

2. Disputes which cannot be settled by negotiations may be resolved by a mechanism of conciliation to be agreed upon by the parties.

3. The parties may agree to submit to arbitration disputes relating to the interim period, which cannot be settled through conciliation. To this end, upon the agreement of both parties, the parties will establish an Arbitration Committee.

REALISM: Just the Beginning of the Reconciliation Process

Continued from Page 1

some kind of understanding with the Palestinians, and the sheer exhaustion of an Israeli people too long at the barricades and desperate for some normality in their lives.

Finally, there was the rise of a much more dangerous alternative to the PLO in the occupied territories: the Islamic Resistance Movement, or Hamas, a fundamentalist organization. Hamas, with its commitment to the destruction of Israel, made the more secular PLO look moderate.

All of this forced Mr. Rabin to dispense with the Israelis' long-held notion that they could negotiate a settlement with "good" local Palestinians without the involvement of the "bad" PLO.

In return for PLO concessions, Mr. Rabin had to offer Mr. Arafat the one thing that he had long been denied and wanted more than anything else: a formal, acknowledged role in the process. What has driven the PLO over the years more than any single factor was its organizational imperative, the desire to be accepted and recognized by Israel and Washington, with a seat at the table.

Pressures also forced Mr. Rabin to concede to Mr. Arafat's demand that as part of any transition agreement Palestinians had to be given political authority not simply over functions, such as health care and education, but also over actual territory.

But even with all of these pressures and incentives, this accord will not go down easily in the Middle East. Israel's opposition to dealing with the PLO has been a cornerstone of

Middle East politics since the 1960s. As a result, many in the region have built their politics on the assumption that Israel and the PLO would never reconcile.

Syria, which always wants to speak for the Palestinians and spearhead any peace effort, counted on this fact: Jordan, which always assumed that it would be called in to deal with Israel on the PLO's behalf, also counted on it; Israeli settlers, who always assumed that the PLO would never accept any sort of compromise with Israel, counted on it, and Israeli and Palestinian hard-liners, opposed to any peace settlement, counted on it.

Now all of them must adjust to this new reality, and these parties do not adjust to fundamental changes easily or nonviolently. They toss grenades, not leaflets; they write death warrants, not op-ed pieces. If this accord moves ahead, the potential for civil war in both the Palestinian and Israeli camps is very real.

Already the Syrian-sponsored radical Palestinian guerrilla leader Ahmed Jibril has issued a statement warning Mr. Arafat of the same sort of assassin's bullet that felled President Anwar Sadat of Egypt.

Unidentified Israeli hard-liners threw a grenade at the home of a cabinet minister. American Jewish groups, who for years have made opposition to American dialogue with the PLO one of their central preoccupations, are now struggling to figure out what their public positions should be.

These are just the tremors; earthquakes are to follow.

Clinton administration officials acknowl-

edge privately that they were taken by surprise by this understanding and are also trying to figure out how to adjust to it.

Top administration officials were aware of the secret Israeli-PLO dialogue, but they tended to dismiss its potential. In part, this was because they tended to dismiss the Israeli foreign minister, Shimon Peres, as a grandstanding statesman, and in part it was because of their own lower regard for Mr. Arafat.

On the one hand, American officials do not want to pour cold water on the accord because, in principle, this concept of quickly empowering the Palestinians by giving them a real but limited opportunity for self-rule is something that Washington has been pushing. But at the same time, American officials are clearly wary of throwing their support behind a concept that might not be fully thought out.

Mr. Rabin asked Mr. Peres to fly to California to brief Secretary of State Warren M. Christopher, say Israeli officials, because Mr. Rabin wanted American endorsement of this plan in order to help him sell it at home and because he wanted a "reality check" from Mr. Christopher about what Mr. Peres had produced.

The Palestinians and Israelis also want American backing because only Washington has the money, and the influence with wealthy Arab oil states, to produce the cash that will be required to sustain an autonomous Palestinian entity in Gaza and Jericho. Both sides also feel that they need the Americans to guarantee both the substance and the timetable of any understanding they reach.

Shops and businesses were closed throughout East Jerusalem and the West Bank as well. Mr. Arafat argued in Cairo that the PLO had "made no concessions" and dismissed suggestions that Syria and Jordan were not happy with the agreement. "This is completely incorrect," he said.

Asked for his reaction to a threat from a radical Palestinian guerrilla leader, Ahmed Jibril, that he would be killed over the accord with Israel, Mr. Arafat said: "Our forum is a democratic forum, and we welcome any criticism." Syria is trying to recover the Golan Heights from Israel and wants to ensure that the Palestinians do not abandon the Arab position that under United Nations resolution 242 Israel must withdraw from every inch of territory it occupied in 1967. (AFP, Reuters, AP)

TALKS: New Secret Israeli-PLO Meetings in Europe on Recognition

Continued from Page 1

covenant formally would require a meeting of the Palestine National Council, the PLO's parliament-in-exile, and that is not something that can be done on short notice.

In the meantime, they are proposing that Mr. Arafat issue a declaration that would say that the combination of the 1988 and 1991 declarations of the council about Israel, which were majorities of more than two-thirds, supersede all aspects of the covenant which might contradict them," a senior PLO official said.

In addition, the PLO would make some unambiguous statement recognizing Israel and renouncing violence as a means of protest against Israel inside and outside the occupied territories. The exact wording of this point is delicate, since the Palestinians, who are still under occupation, do not want to forswear nonviolent means of protest.

In return, Israel was being asked to recognize the PLO as the representative of the Palestinian people and the sole Palestinian partner for these and any future peace negotiations.

Both Israelis and Palestinians take words very seriously, and even with the best of intentions, coming up with agreed texts will not be easy, officials on both sides said.

Only after the major issues have been resolved in the secret talks in Europe—issues such as how much of the Jericho area Israel will cede to Palestinian self-rule, how Palestinian police will relate to Israeli settlers still living in Gaza and Jericho, or where Israeli troops will be permitted to operate in the autonomous Palestinian regions—will the lesser details be turned over to the negotiators in Washington, who are working in the public spotlight, the diplomats said.

Some of these are extremely difficult issues, which have bedeviled Israeli and Palestinian negotiators in the past, and both sides say they could take weeks or more to resolve.

With all of this secret diplomacy going on in Europe, American officials are also somewhat on the sidelines, as are some of the other Arab states.

Secretary of State Warren M. Christopher

strongly hinted Tuesday that the United States may soon end its ban on a dialogue with the PLO, which Washington broke off after a PLO faction's failed raid on an Israeli beach in 1990.

"There's been no change with respect to our policy on the PLO at the present time," Mr. Christopher said. "On the other hand, this is a rapidly changing environment and we're following developments very closely."

Mr. Christopher said the United States would be willing to help with the one thing the Palestinians want most from Washington right now: funding to enable them to run Gaza and Jericho. Without an infusion of cash, "Gaza is Somalia," said Nabil Sathat, Mr. Arafat's representative at the Washington talks.

"It's clear that the early empowerment aspect of the agreement will require some funding to be carried out and we will be glad to assist to develop sufficient funds for the Palestinians to carry out their responsibilities under the agreement," Mr. Christopher said.

—THOMAS L. FRIEDMAN

PLO: Arafat Rebuffs Arab Critics of Secret Negotiations on Self-Rule

Continued from Page 1

limited self-rule in the rest of the occupied West Bank.

The Lebanese government also went public with its reservations about the agreement, saying it was not sufficiently precise and gave the Palestinians little power.

But despite criticisms about the secret negotiations and elements of the plan, no Arab country repudiated it outright. "We started in Madrid on the basis of land for peace," Mr. Arafat said to Cairo, referring to the Middle East peace conference that opened in the Spanish capital in October 1991. "We have now put our feet on the road to carry out a principled implementation of this."

Israeli flags on a house in Jericho that has been mentioned as a possible home for Mr. Arafat.

The leader of the opposition Likud party, Benjamin Netanyahu, led a group of rightist politicians into the West Bank town to warn that "PLO terrorists masquerading as policemen" would move in once Israeli troops withdrew under Palestinian self-rule arrangements.

"We're heading with great certainty toward war," he said. In the occupied West Bank, a strike called by Islamic fundamentalists and dissident PLO factions to protest the resumption of the Washington peace talks on Tuesday closed most of the West Bank and Gaza Strip. Young strike enforcers in Gaza threw stones at more than 30 Arab-owned cars driven in defiance of the strike call, Arab reports said.

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INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Mideast: A Historic Deal

What seemed unthinkable only weeks ago could become a tangible reality before this year is out. Israel and the Palestine Liberation Organization report that they have agreed in principle to begin dismantling Israel's 26-year military occupation of the West Bank and Gaza, creating in its place interim arrangements for Palestinian self-rule.

At Last, Secure Peace Is Not Just a Dream

JERUSALEM—Israel joins the 11th round of peace talks, which began Tuesday in Washington, with reinforced hope that the concentrated efforts of all parties to the talks will yield substantive results.

Who Will Help Build Somalia?

NEW YORK—Four hundred U.S. Army Rangers arrived in Somalia last week, bolstering the 25,000 UN troops already there as part of a peacekeeping effort that will cost more than \$1.5 billion this year.

Germany's Trade Dilemma

Germany is struggling with a dilemma that has painful implications for all of the world's trading nations, of which the largest is the United States. The German government has worked itself into a position in which it apparently feels that it may have to choose between shoring up the European Community and completing the world trade negotiations.

America's Good Intentions Can't Remake the World

WASHINGTON—Common sense suggests that the stakes are high enough for America to try to avoid Russian disintegration and, in addition, to build good relations with a potential major world player, U.S. intervention in Bosnia would serve neither objective.

Change Comes to Japan

Japan's new prime minister, Morihiro Hosokawa, is his country's first liberal leader in 38 years to come from outside the ranks of the Liberal Democratic Party. The single act of breaking the LDP monopoly on power qualifies Mr. Hosokawa as an agent of substantial change, but he has taken other dramatic steps to strengthen this claim.

With the Cold War Over, West Is No Longer West

WASHINGTON—Recent proposals that NATO should make guarantees or grant membership to the new states of Eastern and Central Europe reflect a philosophical inertia, an unwillingness to jettison old concepts and modes of thought in the face of utterly changed circumstances.



The writer is chairman of the Center for Russian and Eurasian Programs at the Carnegie Endowment for International Peace. He contributed this comment to The Washington Post.

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IN OUR PAGES: 100, 75 AND 50 YEARS AGO. 1893: He's a Shy Fellow. 1943: Danes Fight Back. 1918: Foreign Recruits.

Mr. Maren, a New York writer, just returned from a three-week trip to Somalia. He contributed this comment to The New York Times.

OPINION

NAFTA Puts Democrats On a Civil War Footing

By David S. Broder

WASHINGTON — A quarter-century after the Democratic Party blew up the Vietnam War decisions of Lyndon Johnson, Democrats find themselves facing another internal rupture over a presidential foreign policy.

One speaker after another charged that the pact Clinton is pressing Congress to approve will kill American jobs.

edly recognizing that the potential damage could be great. Because Americans are not dealing with weekly casualty lists and the horrors of history's first televised war, the streets of Washington are not filled with protesters chanting, "Hey, hey, LBJ, how many kids did you kill today?"

As Democrats, Mr. Clinton is promoting the "boss's anti-union policy," something they expect from a Republican president, not a Democrat.

The dangers to the Democrats in this situation have been dramatized in the past week by the emergence of House Majority Whip David Bonior, a Michigan Democrat, as an active, passionate opponent of NAFTA.

While the House speaker, Thomas Foley of Washington, supports NAFTA, the majority leader, Richard Gephardt of Missouri, has criticized the proposed agreement and may join Mr. Bonior in outright opposition.

Mr. O'Neill's break, which was soon joined by the Senate majority leader, Mike Mansfield, gave cover to other less outspoken legislators to consider defying the president.

So it is today with Mr. Bonior's outright opposition and Mr. Gephardt's strong criticisms of NAFTA. The White House does not challenge Mr. Bonior's claim that a clear majority (maybe as many as two-thirds or three-fourths of the House Democrats) is either opposed to NAFTA or leaning against it.

It is ironic under these circumstances that Mr. Clinton has enlisted the Chicago lawyer-politician William Daley for the thankless task of rounding up Democratic votes in Congress for NAFTA.

Bill Daley is, of course, the well-liked son of the late Chicago Mayor Richard Daley, the man whom Lyndon Johnson called on to stop the anti-Vietnam War demonstrators at the 1968 convention and deliver the presidential nomination to Mr. Johnson's choice, Vice President Hubert Humphrey.

Loyalty always has been the hallmark of the Daleys' brand of politics, so it is perfectly in character for Bill Daley to respond to the call for help from a president in trouble. His father stayed loyal to Mr. Johnson when the Democratic Party was breaking up over Vietnam, and Mr. Daley is his father's son.

He will go out and try to round up just enough Democratic votes in the House, starting with the Illinois delegation, to add to the expected large majority of Republicans and push NAFTA over the top.

And then, like other Democratic politicians, he will cross his fingers and hope the political damage is not as great as they fear.

The Washington Post.



Free Trade and America's Middle Class

By Richard Reeves

NEW YORK — The two most frightening conversations I have had in the past few months were with businessmen, happy men describing the impact of the North American Free Trade Agreement on their operations.

The chairman (and principal owner) of several corporations in diverse fields told me he has 21,000 employees in Mexico. Most of them work in clothing factories just across the Texas and California borders, making shirts and dresses for export back to the United States.

The quality of their work, said my friend, is equal to or better than the same work by Americans at only a little more than one-tenth the pay. He pays \$11 million a year in tariffs on Mexican products, which would be eliminated if NAFTA becomes law.

What will be done with that money? "Invest it in the business," he said. "I'll use it to move more work to Mexico."

The chief operating officer of a Michigan manufacturer of refrigeration equipment said that if NAFTA became law, he would move the manufacturing operations to Mexico. Not only is labor cheaper, he said with a certain excitement, but the company can begin manufacturing home refrigerators for Mexican workers moving into the middle class. What about American jobs?

"There will be plenty of jobs," he said, "for engineers, managers, designers. We'll do all that here." But what percentage of your work force is involved in designing new products? "Well..." he said, and the conversation drifted away from specifics.

I have been for NAFTA and I have not changed my mind — yet. But, except for a general commitment to free trade, I am no expert on the economics of the treaty and its side agreements. My support is political: I think it is in the long-range interest of the United States to crush desperate poverty as far as possible from its borders. It is in America's interest to do whatever is reasonable to avoid the obvious problems of having a Third World country on its borders. Over time, I would prefer to see Mexico operate as a de facto adjunct of the United States, a la facto Canada does already.

But we also need a relatively prosperous United States. What was most disturbing to me about those two conversations was a total disregard for American production employees. Not my problem, said my friends, both Democrats.

The overriding goal of American democracy, to say nothing of U.S. economic policy, has to be the preservation of a prosperous and overwhelming

American middle class. Because, over the long run, if we lose the middle class, we will lose the democracy. The fact that engineers and graphics designers, and investors, are doing well will not be enough to save the United States that we know. If reasonably educated and hard-working Americans cannot provide for their families, we could end up trading free trade for freedom itself.

We need the Americans making \$16 an hour, which is the average pay and benefits package of U.S. production workers. That compares with \$2.35 for Mexican workers, who normally work a 48-hour week. (The minimum wage in Mexico is \$4.21 — a day.)

The dynamic of modern international economics is to move production to wherever wages are lowest and regulation most friendly. We do it, which is why much of U.S. business is snuffing around China and Vietnam these days.

Mexican wages and benefits will, of course, begin to increase in economic alliance with the United States. Which is good. But we need more national dialogue on NAFTA before it becomes America's future. It is critical that future that the rug not be pulled out from under the American middle class — or the foundation under American democracy itself.

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Is High-Tech Life-Saving Noble or Simply a Waste?

By Ronald Dworkin

NEW YORK — Was the fiercely expensive Philadelphia operation to separate Siamese twins who shared a single heart a humanitarian tribute to the sanctity of life? Or was it an unjustified waste of public funds and medical resources needed by others who are poor and sick? The parent's own doctors in suburban Chicago said the babies should be kept free from pain and al-

of care. How should we decide what that basic package should contain — whether, for example, it should provide stuporously expensive neonatal operations with only a marginal chance of success? Mr. Lakeberg's remark about lottery offers a helpful clue, though we should be thinking about the right kind of lottery, an insurance policy, and about an insurance decision made at the right time, in advance.

MEANWHILE

lowed to die. But surgeons at Children's Hospital of Philadelphia offered to separate the twin girls, even though one would certainly die, the other would have only a 1 percent chance of surviving more than a few months, the quality of any life she could live if she did survive was doubtful and the total cost might exceed \$1 million.

Kenneth and Reida Lakeberg, parents of the twins, decided to take the gamble. He said: "It's like people win the lottery every week. Why can't we win on life? Why can't we gain a life here and defy the odds?" (They have no health insurance, but their home state of Indiana will contribute \$1,000 a day and hospitals will assume the rest of the cost.) The operation was performed, and one twin, Angela, is still alive.

Mr. Lakeberg's question — Why not defy the odds when life is at stake? — is an important one, particularly now, when the United States is trying to make its medicine cheaper, fairer and more rational. The chief surgeon at Children's Hospital gave one answer: "There has been a unanimous consensus," he said, "that if it is possible to save one life, then it is worth doing this." For ages, doctors have celebrated this "rescue" principle — never give up on life when any hope remains.

But we must face the fact that this is an impossible, even absurd, ideal. Scientists continue to develop phenomenally expensive diagnostic techniques and more and more heroic transplant procedures that offer significant life-saving opportunities in some circumstances, but only a remote chance of saving life or prolonging it beyond a few marginal months in others. Any nation that tried to provide every possible treatment, no matter how expensive, even when the treatment had only a small chance of working, would have little money left for obviously valuable medical policies, like immunization for children, or for education, or for sustaining an economy so that its people could have rewarding jobs. Its people would probably not, on balance, lead longer lives, and they would almost certainly lead worse ones.

So the rescue principle, noble as it seems, must be abandoned. What should replace it? President Bill Clinton's health-care proposal is expected to guarantee all Americans a basic package

of care. How should we decide what that basic package should contain — whether, for example, it should provide stuporously expensive neonatal operations with only a marginal chance of success? Mr. Lakeberg's remark about lottery offers a helpful clue, though we should be thinking about the right kind of lottery, an insurance policy, and about an insurance decision made at the right time, in advance.

Suppose the Lakebergs had been people of average wealth, and that when they were married they had been offered the opportunity to buy, for an annual premium reflecting the true actuarial cost, one of two insurance policies. The first provided that if any of their children were born with a life-threatening defect, neonatal treatment would be covered only if it offered a reasonable (say a 25 percent) chance of success. The second, much more expensive, provided that such treatment would be guaranteed even if it offered only the barest hope.

The Lakebergs might well have decided that it would be better for them and their family to buy the first policy, and to use the premiums they would save each year to benefit their healthy children in other ways. Most people would make that choice, and it seems wrong that public money and scarce communal health-care resources should be distributed according to priorities so different from those people would have chosen for themselves.

But the Lakebergs' tragedy poses another question. What is the true tragedy of early death? Is it just that years of possible life will never take place? If so, we should spend more money and take more risks to save an infant's life than an adult's. But the idea that the tragedy of death lies just in years of life lost does not fit the convictions of most people. Most of us think that a late abortion is a greater tragedy than an early one, and that the death of a child or an adolescent is more heartbreaking than the death of a day-old infant.

That is at least part of the reason, I believe, why so many people reacted to the news from Children's Hospital not with excitement but with pain that resources had been spent that would have done much more good, avoided more genuine tragedy, used in other ways, to save lives of children already well begun, perhaps, or to make those lives less poor, frustrating and barren. True respect for human life was sacrificed, in Philadelphia, to bad slogans about sanctity and rescue, and, perhaps, to a dangerous love for heroic medicine for its own sake.

The writer, a professor of jurisprudence at Oxford University and professor of law at New York University Law School, is author of the new book "Life's Dominion." He contributed this comment to the Los Angeles Times.

LETTERS TO THE EDITOR

Ailing but Armed

Regarding "Communism's Fall Took Too Long, Cost Too Much" (Opinion, Aug. 24):

Richard Reeves writes that "one of the tragedies of the Cold War — a principal reason it lasted so long — was that the Americans leading the fight vastly overrated the enemy because they had never seen his homeland..." That was especially true during the Reagan years: those people had no idea how evil the "evil empire" really was — and how pathetic.

Mr. Reeves is trying to rewrite history. Ronald Reagan was universally derided by the West's chattering classes for daring to call the Soviet Union the "evil empire." The hawks were also criticized for calling it "Upper Volta with missiles" — by the very people who now say the West vastly exaggerated its strength. But the point is not

whether the Soviet Union was strong but whether it was dangerous. A sick man with a gun is still a man with a gun.

Ronald Reagan showed exactly the qualities that Mr. Reeves advocates: His steadfast support for Solidarity in Poland and for the Afghan mujahidin undoubtedly hastened communism's collapse, and we in Eastern Europe remember him with gratitude.

RADEK SIKORSKI, Naklo, Poland.

The Happy Humanist

Regarding "The Church, Beyond Sexuality" (Opinion, Aug. 19):

E. J. Dionne makes the curious complaint, "but pluralism rests on mutual respect, and religious people are owed a little more respect than that which is shown by the

assumption that all they care about is sex."

I see no reason why "religious people" deserve more respect, whatever they talk about, than people who do not claim religious affiliation or religious beliefs.

And who is it that assumes that "all they care about is sex"? Mr. Dionne himself mentions sex or sex-related problems within his church several times in his short article. But it is Pope John Paul II who makes headlines when he insists on preaching about premarital sex, birth control, divorce, abortion, women in the priesthood, whether priests should marry, etc. These are trying times for religions and religious people. I am happier than ever to be a secular humanist with no religious commitments to give me orders about how to behave, sexually or otherwise.

CHARLES BOGGS, Paris.

Two Men Out

Regarding "Star Wars: A Major Scandal or a Resounding Cold War Success?" (Opinion, Aug. 21):

Stephen S. Rosenfeld writes: "Out went Leonid Brezhnev. In came Mikhail Gorbachev." That is telescoping history a bit. Between these two there were, of course, the brief reigns of Yuri Andropov and Konstantin Chernenko.

BERNARD SINSHEIMER, Boulogne, France.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

BOOKS

722 MILES:

The Building of the Subways and How They Transformed New York

By Clifton Hood. 335 pages. \$25. Simon & Schuster.

Reviewed by Jonathan Yardley

EVEN in its present semi-decrepit condition, the subway system of New York City is one of the wonders of the urban world. In length it extends 722 miles (1,160 kilometers), not far short of the distance between New York and Chicago. It carries hundreds of thousands of passengers each day at efficient speeds and — widespread reports to the contrary notwithstanding — in relative safety. Even now, in the age of the automobile, nearly 50 percent of New Yorkers use the subways to get to work.

The subways work reasonably well, all things considered, but it is the contention of Clifton Hood that they would work far better if they were still run under collaborative management of public and private interests rather than by the transit authority that has been responsible for them — and thus for their decline — since 1953. In "722 Miles," his thorough and provocative history of the subways, Hood presents a persuasive case that the decay of the subways is the direct result of their removal from private control and their subsequent capitulation to politics and bureaucracy.

ration — those of a certain turn of mind might call it a conspiracy — between New York's mercantile elite and one of their own, Abram S. Hewitt, who served as mayor from 1887 to 1889 and made the first detailed, workable proposal for an underground rapid transit system. It was designed to serve the interests of the elite by providing convenient travel for workers and customers; it served the interests of the city by opening Upper Manhattan and the more distant boroughs to settlement and thus speeding up New York's development as a world-class metropolis.

For most of its early history the subway system was known as the Interborough Rapid Transit Company — the name survives even into this day, as the IRT line. The first IRT, which opened in 1904,

quickly became the system of choice for most New Yorkers.

The rest of the story will be familiar to students of politics. John F. Hylan, elected mayor in 1917, discovered that the subway could be a powerful political weapon, one by which he could identify himself with the city's masses. He argued that the city should take over the subways and that it should preserve the 5-cent fare at all costs. This last he raised to "perhaps the dominant electoral issue in New York City," riding it to re-election in 1921.

From there it was a short step to the authorization in 1924 of the city's own line, the Independent Subway System, and to the unification of all subways under city control in 1940. Then, in 1953, the New York City Transit Authority came into being, "a new, more bureau-

cratic political system that enshrined the ideology of business management and that isolated subway administration from the general public."

In half a century, then, the New York subway system passed through three stages: In the first, private firms served the public interest but with relatively little accountability; in the second, accountability was provided but was abused for political reasons; in the third, "the citizenry's principal mechanism for changing policy decisions — the vote" was eliminated as responsibility was delegated to a public institution largely devoid of accountability. Sic transit public transit.

Jonathan Yardley is on the staff of The Washington Post.

BEST SELLERS

This list is based on reports from more than 2,000 bookstores throughout the United States. Weeks on list are not necessarily consecutive.

Table with 2 columns: Rank, Title and Author. Includes '1 WITHOUT REMORSE, by Tom Clancy', '2 THE BRIDGES OF MADISON COUNTY, by Robert James Waller', '3 VANISHED, by Danielle Steel', '4 STRAITS OF LAREDO, by Larry McMurtry', '5 THE CLIENT, by John Grisham', '6 LIKE WATER FOR CHOCOLATE, by Laura Esquivel', '7 THE NIGHT MANAGER, by Michael Chabon', '8 THE SHINING ONES, by David Eddings', '9 FIGS IN HEAVEN, by Barbara Kingsolver', '10 PLEADING GUILTY, by Scott Turow'.

Table with 2 columns: Rank, Title and Author. Includes '11 HONOR AMONG THIEVES, by Jeffrey Archer', '12 CAUL, UNUSUAL, by Patricia D. Cornwell', '13 AFTER ALL THESE YEARS, by Susan Isaacs', '14 A CASE OF NEED, by Michael Chabon', '15 HILL TOWNS, by Anne Rivers Siddons', '16 WOMEN WHO RUN WITH THE WOLVES, by Chelsea Quinn Yarba', '17 LISTENING TO PROZAC, by Peter Dinklage', '18 EMBRACED BY THE LIGHT, by Betty J. Eadie', '19 MAYBE (MAYBE NOT), by Robert Fulghum', '20 REENGINEERING THE CORPORATION, by M. Hammer and J. Chaffin', '21 THE WAY THINGS OUGHT TO BE, by Ruth H. Liebman', '22 CARE OF THE SOUL, by Thomas Moore'.

Table with 2 columns: Rank, Title and Author. Includes '23 THE FIFTIES, by David Halberstam', '24 GIRL INTERRUPTED, by Susanna Kayson', '25 MAMA MAKES UP HER MIND, by Betty White', '26 DAYS OF GRACE, by Arthur Hailey and Arnold Rampersad', '27 THE HIDDEN LIFE OF DOGS, by Elizabeth Marshall Hall', '28 HEALING AND THE MIND, by Bill Moyers', '29 RACE MATTERS, by Cornel West', '30 ADVICE, HOW-TO AND MISCELLANEOUS', '31 AGELESS BODY, TIMELESS MIND, by Deepak Chopra', '32 EAT MORE, WEIGH LESS, by Dean Ornish', '33 MEN ARE FROM MARS, WOMEN ARE FROM VENUS, by John Gray', '34 A WOMAN'S WORTH, by Marianne Williamson'.



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Terrence McNally with a favorite maple tree at his 1920s farmhouse on Long Island. "If I read a profile of my life right now, I'd really be envious of this person."

For Terrence McNally, 'Theater Is Its Own Reward'

By David Richards
New York Times Service

BRIDGEHAMPTON, New York — The playwright Terrence McNally says that he habitually beats up on himself, and most of his friends confirm it. "I'm a major self-flagellator," he admits. "I never feel up to the mark. I should be better. Every play should be better. It's my Irish-Catholic background. I can find something wrong with everything. Someone tells me, 'You have a nice house,' and I say, 'Yeah, but it's not near the ocean. Larry Kramer has a beautiful house, right near the ocean. And have you seen Edward Albee's house? He has a self-contained resort.'"

So something must be going well, very well, these days for McNally to lean back in the late-afternoon sun and declare without a trace of irony, "If I read a profile of my life right now, I'd really be envious of this person. Yeah, I'd probably say, 'Who is this SOB?'"

His book for "Kiss of the Spider Woman" woo him a Tony, his first, and the musical looks set for a long Broadway run. "A Perfect Ganesh," his play about two Connecticut dowagers in deepest darkest India and, arguably, his most probing dra-

ma to date, has been extended through Sept. 19 at the Manhattan Theatre Club. And two new McNally works are due in the coming season.

Meanwhile, "Lips Together, Teeth Apart," an off-Broadway hit in 1991, has received more than 50 professional productions across the United States.

McNally shrugs philosophically. On this particular Sunday, he's even feeling warmly toward his landlocked bouse—a 1920s gray clapboard farmhouse that sits on a triangular plot formed by a fork in the road. A gentle breeze is blowing through the cornfields and across his lawn, brown from the lack of water.

It's too sunny, he has decided, to stay indoors, choosing instead to settle into a weather-beaten Adirondack chair under one of the large spreading maples that shade the property. You would never describe him as laid back, but in this setting he looks relaxed. Actually, "appeared" is probably closer to the mark.

By prevailing theatrical standards, McNally is an anomaly—a playwright who continues to work regularly at his trade; who believes that a career in the theater is "its own reward," not a stepping-stone to Hollywood, and, most significantly, who grows more accomplished with each successive play.

His first effort, "And Things That Go Bump in the Night," was a notorious flop on Broadway in 1965, excoriated by the critics and booed by audiences. He persisted. Four years later, he enjoyed his first success off-Broadway. "Next," a one-act play about an overweight 40ish man who has to report for an army induction physical.

WHEN Time recently called him "the height of hot," however, even McNally felt that the magazine might be overstating the case. For all his hits, the playwright is a household name—as "Who's Afraid of Virginia Woolf?" did for Albee or "Angels in America" seems to be doing for Tony Kushner—has continued to elude him.

"I've never had the experience of being universally championed," he admits. "If anything, I think people say, 'He's such a drudge. He turns out a play a year. God, why doesn't he shut up for a while?'"

Notes the playwright Wendy Wasserstein: "Terrence has had his ups and downs, but he's still writing for the theater. I find that very moving. He works harder than anyone I know."

The success of "Spider Woman" certainly

represents sweet vindication for him. The musical, which chronicles the relationship between two cellmates in a Latin American dictatorship—one, a gay window dresser, the other, a straight Marxist firebrand—was trounced by critics during a production three years ago in Purchase, New York.

"We all knew it was a failure at Purchase," McNally says. "We didn't need anyone to tell us. To have to go back to work on the piece after that, well, it was hard."

"But what it says about a gay man is very important, although he's not just a gay man. He's a small person who says, 'My life is trivial, I'm inconsequential' and who learns that he's not, that we all matter. I think the show speaks to everyone."

As for "Ganesh," he still can't get over the fact that Zoe Caldwell and Frances Sternhagen were willing to play the intrepid voyagers looking for solace and souvenirs in India. (Charlotte Moore and Helen Stenberg took over the roles Monday.)

He was a Columbia University student, unraveling in England, when he first saw Caldwell at Stratford-on-Avon. Astounded, he swore he'd write a play for her one day—a vow he renewed over the years each time their paths crossed. While he was working on "Ganesh," he kept a small photograph of her tacked above his word processor. He

also pinned up a copy of his favorite Shakespearean speech, "O! for a Muse of Fire" (from "Henry V"), which became the rallying cry of Caldwell's character each time she sailed forth into the Indian landscape.

Even now, at 53 and balding, McNally remains, in part at least, a goggle-eyed boy from Corpus Christi, Texas, dazzled by the lights of Broadway. When he was 6, the family visited New York and took in a show—"Annie Get Your Gun," with Ethel Merman. It is fairly safe to say that the dirt was cast. To this day, he remembers her oversized

Professionalism, he's always been beholden to certain actors—James Coco and Robert Drivas in the early days of his career; Kathy Bates, Christine Baranski, Anthony Heald, Nathan Lane, among others, in the later stages—whose talents, he believes, have only encouraged him to expand and deepen his own.

"I am a very shy person in many ways," he elaborates. "But I can be braver as a writer, knowing that I have Nathan or Christine or Tony delivering my lines. It's the old question, what comes first, the chicken or the egg, the good play or the performance that makes the play work? I never thought I wrote literature. I write plays for actors and I need actors I trust."

European Connection For U.S. Vanguardists, New Audiences Abroad

By John Rockwell
New York Times Service

VASSIVIERE EN LIMOUSIN, France — The 1960s and '70s were the golden age for American performers to find work in Europe. Conservative American arts institutions stifled the vanguardists, while the underdeveloped American regional opera scene forced singers abroad.

Now, even with the lingering recession at home, American singers can find work with American companies and the evolution of trendy performance spaces around the United States has created a network for contemporary musicians, theater directors, choreographers and performance artists.

At the same time, the recession in Europe, combined with the development of local talent and an increasingly nativist attitude, has curtailed job offers here for Americans. Yet Americans still do go overseas, and not just high-profile directors like Robert Wilson.

Two interesting veteran New York performance artists, Connie Beckley and Joan Jonas, appeared in France and Germany in June, while all season Wilson has been busy with new European projects.

Beckley is also a composer and sculptor. She has long been active in New York, but never quite so prominent as Leuzi Anderson, whom she in some respects resembles. Beckley's is a quieter, subtler, more introspective art than Anderson's. It doesn't seek a broad audience, nor has it attained one.

Typically, she works alone, as Anderson did before she got record-company support and hired a backup band. In both cases, to be sure, "alone" means onstage alone; there are eager helpers for the sound and lights, so this remains a collaborative process.

BECKLEY'S piece "Melody on a Curve" was presented in mid-June at one of the many vanguard performance spaces that now dot the European landscape, in this case, the Künstlerhaus Mousonturm in Frankfurt as part of a series of New York-related performance events.

As opportunities in Europe for American artists have declined, interest in American novelties remains strong. Beckley's performance was an offshoot of a two-month stint she spent at the University of Giessen near Frankfurt, teaching about vanguard theater.

Typically of Beckley, her piece had all the ingredients of an opera with none of the brash assertiveness that form implies. She laid out what might have seemed like a dogged series of tasks, then evocated them in a way that evoked all manner of emotions, some more purely aesthetic, others sweet or moving or troubling.

Upon entering the room, one found a circle of black, helium-filled balloons huddling close to the floor. In the course of an hour, Beckley crawled around the circle, freeing each balloon to float upward to the length of its tether.

Each tether was slightly higher than the last, making a gradually unfolding upward curve of balloons. (Beckley said afterward that it took four hours to tape the balloons in place for each performance.)

As she liberated the balloons, she

sang songs or recited fragments of text or assumed poses. Some passages involved memory, real or imagined; all flowed together into an artwork that felt coherent even if one could never quite figure out how the coherence was achieved.

If Beckley represents New York Minimalist cool surviving through the hot '80s into the practical '90s, then the 1960s-flavored performance style of Joan Jonas has survived an even longer journey.

To late June, as part of a tour that included indoor performances in Berlin, Jonas offered "Variations on a Scene," a piece seen in an earlier form at Wave Hill in Riverdale, the Bronx.

It is hard to imagine it indoors, even with video evocations of its outdoor setting, since it so much relied on the charms of nature, and in particular the spectacular setting of the Arts Center on the Ile de Vassivière here.

THE island sits in the middle of an artificial lake created to supply hydroelectric power to this central French region and now a popular vacation setting. On the island is a sculpture park with a striking postmodernist building, complete with a slim, conical tower, designed by Aldo Rossi, the Italian architect. This Arts Center houses a regular series of exhibitions and workshops, but is itself worthy of a pilgrimage, one of the finest legacies of socialist arts construction in the Jack Lang era.

Jonas is an important figure in the history of New York performance art, one of the first to use video in live theatrical pieces. She has also long been concerned with women's issues in a way that has encouraged other female artists and arts writers to incorporate that agenda into their own work.

Unfortunately, this latest piece seemed more fragmentary and self-involved than communicative. It consisted of a sequence of scenes in different locations on the center's grounds, with the local audience traipsing along dutifully.

Some of the scenes commanded one's attention: performers appearing over a low rise signaling and scorching mysteriously to one another, or a striking German performer, Geno Lechner, hurling herself brutally across the wide lawn. Alvin Curran's music, which blended with Jonas's own sound collage, was characteristically haunting, but the setting, both natural and architectural, overshadowed this particular performance decisively.

Wilson's work can be seen occasionally in his native United States, as can that of Beckley and Jonas. But unlike them, he gets by far the majority of his opportunities abroad. The two most notable Wilson events this season were "Alice" at the Thalia Theater in Hamburg and "Orlando" at the Théâtre Vidy-Lussanese in Switzerland. (This fall there will be Wilson stagings of Susan Sontag's play "Alice in Bed" at the Schaubühne in Berlin and of Puccini's opera "Madama Butterfly" at the Bastille Opera in Paris.)

"Alice," which examines Charles Dodgson, who wrote under the pen name of Lewis Carroll, is a sequel to "The Black Rider" with alternately quirky and touching songs written by Tom Waits. Waits was in place for each performance.



N.Y. performance artist Connie Beckley in Frankfurt.

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'The Big Breakfast' Wakes Up British TV

By Suzanne Cassidy
New York Times Service

LONDON — It is inspired, in part, by the anarchic, clattering style known as "zoo" radio, which originated in the United States. It is fired by a red-haired, bespectacled host who looks like one of Wally Cleaver's hipper friends. And it is more wired than the most frenetic household on a weekday morning.

It is "The Big Breakfast," a program that has widened the reach of British morning television by breaking the breakfast television mold. It is produced for Channel 4, one of Britain's two commercially financed networks, by Planet 24, an independent production company owned in part by Bob Geldof, the Irish rock musician.

Against all expectations, and in the face of initial hostility from most media critics, "The Big Breakfast," which is broadcast from 7 to 9 A.M. weekdays, has brought thousands of

teenagers and young adults into the British breakfast audience.

The program began last September as a replacement for "The Channel 4 Daily," a more sedate, news-oriented program that was watched by just two-tenths of 1 percent of all Britons in its final three weeks, according to industry figures. (Ratings in Britain are based on percentages of the country's population of about 55 million.)

By contrast, the average rating for "The Big Breakfast" for the five weeks ended Aug. 1 was 1.8 percent—a sizable fraction in a nation where morning television is still not as popular as it is in the United States.

Other breakfast programs have glamorous honey-tongued hosts who wake viewers gently. "The Big Breakfast" has Chris Evans, a 27-year-old with Buddy Holly-style eyeglasses, considerable comic timing and an ability, honed during a career in radio, to string sentences together quickly.

With his co-host Gabby Roslin, who is more conventionally tele-

genic, Evans races through the two hours, tossing out one night gag after another and introducing one offbeat feature after another. The hosts, or "presenters," do not use TelePrompTers, which means that they have to think on their feet.

Through it all, the production crew whoops and cheers and films itself, viewer participation is endlessly invited, and mistakes are gleefully incorporated into the program. The only concessions to seriousness are the news bulletins, presented against a backdrop of shifting Day-Glo colors, that appear every 20 minutes.

The program is filmed in three adjoining cottages that stand by a murky canal in the East End of London. Their rooms reflect the program's zanyness: the kitchen kitchenette, for instance, has aqua-and-white gingham curtains and rubber duck-yellow walls painted in a fried-egg motif. The living room is done in similarly garish hues.

Celebrity guests are interviewed upstairs, in the "booboir" of Paula

Yates, Geldof's wife, who has bleached hair, a tattoo and a penchant for wearing frou-frou frocks. On her pink-satin bed, she has interviewed everyone from Demi Moore to Arnold Schwarzenegger to Emma Thompson.

THE ratings are surprising because Channel 4, by its charter, is Britain's "alternative" commercially financed network. It tends to have considerably smaller audiences than the mass-appeal Independent Television network, or ITV.

"The Big Breakfast" trails its rival ITV program, "GMTV," in average ratings, but not by much. "GMTV," a more traditional breakfast program that started in January, had a 2.3 rating in the five weeks ended Aug. 1, half a percentage point ahead of "The Big Breakfast."

On the set of "The Big Breakfast," there is no shortage of theories to explain the program's success.

Sebastian Scott, an editor, said

some of the program's edge could be attributed to its tight budget. The program costs less than \$30,000 an hour to produce.

Working with that budget, he said, "you can't film the live premiere of 'Jurassic Park,' so you just bring in the popcorn you found on the floor. It makes it more fun."

Reclining on her famous bed, Yates said, "The Big Breakfast" is the first morning program that reflects "the speed of most normal households in the morning," when parents are racing to get themselves off to work and their children off to school.

At least one British magazine writer found "The Big Breakfast" to be a "spectacularly successful example of the new infotainment in mainstream British television," with content that is "a joke at the expense of the viewer's intelligence."

But the executive producer, Charlie Parsons, disagreed. "The joke is not at the expense of the viewer," he said, because the viewer "is intimately involved" with the joke.

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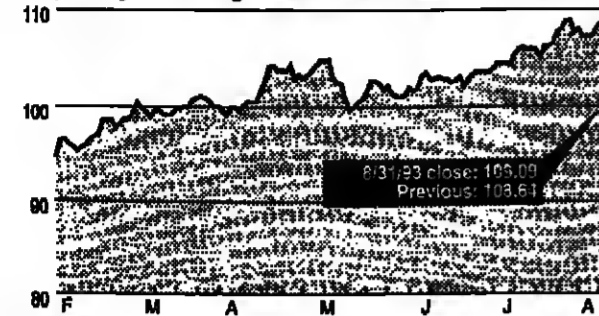
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The index tracks U.S. dollar values of stocks in: Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Region	Approx. weighting	Close	Prev.	% Change
Asia/Pacific	22%	129.81	128.88	+0.72
Europe	40%	105.57	106.82	-1.25
N. America	32%	94.38	93.85	+0.53

Industrial Sector	The Index	Prev. Close	% Change
Energy	106.99	107.23	-0.22
Utilities	114.77	114.43	+0.30
Finance	121.08	120.19	+0.74
Services	117.71	117.25	+0.39
Capital Goods	104.23	104.06	+0.16
Raw Materials	105.87	106.42	-0.42
Consumer Goods	90.08	89.82	+0.29
Miscellaneous	109.94	109.21	+0.67

For readers desiring more information about the International Herald Tribune World Stock Index, a booklet is available free of charge by writing to: Trib Index, 181 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

HSBC Net Doubles, Aided by Sterling

By Floyd Norris, New York Times Service

LONDON — HSBC Holdings, the parent company of Hong Kong & Shanghai Banking Corp., said Tuesday its pretax profit had more than doubled in the first half, to £1.17 billion (\$1.75 billion) from £21 million, helped by a fall in the pound and a brisk turnaround by its Midland Bank unit.

In Hong Kong, meanwhile, Hongkong & Shanghai Bank said its profit was up 57 percent from a year earlier, to 6.37 billion Hong Kong dollars (\$822.3 million) from 4.05 billion dollars. HSBC's earnings rose 79 percent in Hong Kong dollar terms, in line with analysts' expectations.

The difference between that rise and its 126 percent gain in sterling terms "reflects the depreciation of sterling since June 1992," HSBC's chairman, Sir William Purves, said at his final scheduled news conference in Hong Kong. He is due to move to London in October.

The pound fell from \$1.90 at the end of June 1992 to \$1.52 by year-end, after the currency crisis that forced Britain out of Europe's exchange-rate mechanism.

The group's results also reflected a previously reported profit of £282 million at Midland Bank, which HSBC Holdings fully acquired in 1992 after a takeover battle with Lloyds Bank PLC. That compared with profit of £5 million in the 1992 first half.

Hongkong Bank said its commercial-banking operations continued to benefit from strong economic growth in most of Asia. Its profit growth in China was satisfactory, and its presence there was continuing to expand, it said.

Sir William said the results were encouraging and promised a "satisfactory" outcome for the full year. Hongkong Bank said its total assets at the end of June were 1.02 trillion dollars, up 6 percent from a year earlier.

As of June 30, the bank's capital ratio was 14 percent. During the six months, its capital resources grew 5.9 percent, to \$3.5 billion dollars. (AFP, Reuters, Bloomberg)

Funds Across the Water, U.S. Investors Pour Into Foreign Stocks

By Floyd Norris, New York Times Service

NEW YORK — Foreign stock mutual funds are all the rage among U.S. investors, but the domestic variety seems to be attracting less money, according to the latest figures. And while bond funds are taking in record amounts of money, market timers appear to be growing worried that interest rates may begin to rise.

"Investors are on vacation from U.S. equities and are traveling abroad," said Bruce Speca, a spokesman for the TNE Fund Group. "The international equity market is just exploding."

The effect has been striking not only on U.S. investment patterns but also on the target markets. Such diverse markets as France and Hong Kong are enjoying booms that local analysts explain as largely the work of American fund managers.

At T. Rowe Price, the net cash flow into foreign stock funds in August is up 84 percent from July, said Rowena Ichni, a spokesman. But she added that sales of equity funds that invest in the United States were about even with July's level.

The Investment Company Institute reported Monday that foreign-oriented stock funds took in \$3.1 billion in July, the largest ever for the category. But funds that invest primarily in the United States took in a net \$6.6 billion in the month, down from \$6.9 billion in June and the lowest for any month since October.

Bond funds took in a record \$12.95 billion in July, breaking the old mark, \$10.7 billion in January. Part of that rise was a surge in global bond fund sales, to \$391 million, or the largest since late 1991. But domestic bond funds also set records.

EC Fails to Close Rift on Trade, Menacing GATT

By Tom Buerkle, International Herald Tribune

BRUSSELS — Belgium's foreign minister indicated Tuesday that the European Community remained divided on agricultural trade at a time when a compromise is needed to keep alive a global trade deal.

The minister, Willy Claes, spoke after meetings in Paris with Prime Minister Edouard Balladur and Foreign Minister Alain Juppé. The French officials presented papers detailing France's objections to the so-called Blair House pact between the Community and the United States on farm trade, and they pressed their demand to reopen negotiations on the deal.

Mr. Claes met later in Bonn with Foreign Minister Klaus Kinkel of Germany, who reiterated opposition to renegotiating the Blair House accord. But Germany's stance has been unclear since Chancellor Helmut Kohl last week surprised his own ministers and expressed sympathy for the French position.

"I don't know if a real renegotiation will be necessary," Mr. Claes said. He stressed the Community would not jeopardize a successful conclusion of the Uruguay Round of talks under the General Agreement on Tariffs and Trade. This, he said, must be achieved "at any cost."

Mr. Claes said it might not be possible for the 12 EC countries to resolve their farm differences at a rare combined meeting of foreign and agriculture ministers in Brussels on Sept. 20. Talks may be carried over to a foreign ministers meeting on Oct. 4 and 5. "If necessary, we will take our time," he said.

But time is running short if the global trade talks are to be concluded by a Dec. 15 deadline, which was affirmed Tuesday by Peter Sutherland, director-general of GATT. He said there would be no extension.

President Bill Clinton of the United States needs the accord by that date to take advantage of his "fast-track" negotiating authority, under which Congress has 90 days in which to accept or reject an entire deal without offering amendments. This authority expires in mid-March.

Mr. Sutherland, meanwhile, is due to meet Mr. Kohl on Wednesday to clarify Bonn's position before going to Paris next week for talks with Mr. Balladur.

The French papers on Blair House, which also went sent to Mr. Kohl and to the EC Commission did not break new ground but did include details of Paris's negotiating goals, according to officials familiar with the documents, who spoke on condition of anonymity.

In an effort to ease the agreement's curbs on export subsidies, France's biggest complaint, the government suggested lowering the pact's 21 percent cut in export subsidies to 16 or 18 percent and phasing it in over nine years instead of six.

The papers also include demands for limits on imports from the United States of corn-gluten feed, which would be admitted duty-free in unlimited quantities under a separate EC-U.S. agreement.

One U.S. official here said the problem was largely a political one for the French government, which has promised to hold out for its farmers. "They've got to get something they can publicly tout as a great victory," he said. Washington has nothing to offer, though, because any French "victory" would only be seized on as a setback by the U.S. farm lobby, he said.

Hutchison's Murray Departs

Bloomberg Business News

HONG KONG — Simon Murray, one of the Hong Kong business chieftains known as taipans, resigned Tuesday as managing director of the trading conglomerate Hutchison Whampoa Ltd., which is pulling back from the diversification he espoused.

The former French legionnaire became a major force in the empire of the billionaire Li Ka-shing for more than eight years. Hutchison reported a 30 percent drop in its 1992 net profit after running up losses in its British telecommunications ventures and taking a write-off of 1.4 billion Hong Kong dollars (\$179.5 million) on its stake in Canada's Husky Oil.

There has been speculation that Mr. Murray, 53, will join Deutsche Bank as head of its Asia operations, based in Singapore. He said he was in negotiations with several people and Deutsche Bank is not far off.

Canning Fok, one of Mr. Li's closest lieutenants, will replace Mr. Murray. At the same time, Richard Li, 28-year-old son of Li Ka-shing, becomes deputy chairman. "This may mean that Hutchison will move back to its core businesses where they've proven successful," said Peter Churchouse, head of research at Morgan Stanley in Hong Kong.

According to a company executive who refused to be identified, Mr. Murray was a big supporter of Hutchison Telecommunications when it was created. But that venture has been a drain on the group, and Mr. Murray is

taking the heat, analysts said. The venture failed to get telecommunications applications approved in Australia, South Korea and Germany. Hutchison Telecommunications (U.K.), which has paging and cordless-telephone operations, stands to lose 1.15 billion dollars a year through 1995.

Hutchison's \$525 million sale last month of its investment in STAR TV, a satellite broadcaster, was a further sign that the conglomerate was taking a less ambitious road, analysts said.

The sale followed Hutchison's cancellation of plans to expand its telecommunications business last year and the announcement this year that the company's future would be closer to home, in Hong Kong and China.

MEDIA MARKETS

They've Seen the Future And Switched Channels

By John Lippman, Los Angeles Times Service

CERRITOS, California — What's it like living along the information superhighway? Apparently, you don't even notice it. After four years to the multimedia fast lane, residents of this Los Angeles suburb still spend more time on the freeway than the data expressway.

It wasn't supposed to be that way. Four years ago, James L. Johnson, chairman of GTE Corp., cut a ribbon in Cerritos and proclaimed the suburb would be the site of the most sweeping test yet of interactive television, a test that would "shape future telecommunications for the whole country."

GTE installed what was probably America's most sophisticated cable system, permitting many subscribers to use their TV sets interactively. The project generated a flood of attention over how residents would bank and shop at home, obtain city permits, bone up for college entrance exams, play games and access movies at the flick of a button.

But after a prolonged opportunity to serve as guinea pigs for the TV of tomorrow, hardly any residents subscribe. Most do not even get cable TV, and many who do say they are not interested in ordering flowers on-line or scanning an interactive encyclopedia.

"Quite frankly, I don't know of anyone who uses it," said Mayor John Crowley. "For the average person in Cerritos, it doesn't exist." GTE officials insist they are happy with the reception for their new services, although they will not discuss how often customers use them.

GTE's project head, Don Bache, admits that the problem has been finding out what subscribers are willing to pay for the convenience of a film that appears within minutes. "A lot of what we're doing here is speculation," he said. "I don't know if we can prove demand exists for all these services." But, he added, interactive TV should parallel the deployment of other technologies, which often take years to catch on. "You have to in some sense create the demand, like ATM machines," he said.

That hasn't happened yet. Meanwhile, the indifference of Cerritos residents suggests that Americans are far from ready for the dawn of interactive TV.

GTE's experiment is important because it foreshadows the much-ballyhooed era of the 500-channel, two-way cable system. The Cerritos experience suggests that if the future of telecommunications is really going to be interactive, it had better be mindlessly simple and endlessly diverting — not unlike plain old television. And it may not be nearly as big a business as some have suggested.

"We don't have kids at home who would use the encyclopedia See CABLE, Page 14

Residents of this test market are unthrilled by interactive TV.

Microsoft Targeted By Unix Standard

Compiled by Our Staff From Dispatches

NEW YORK — Suppliers of Unix plan to announce Wednesday a common standard that would allow programs to run on most computers that use the operating system.

The idea is to make Unix attractive to companies that create software and thus help it compete with Windows NT, the new operating system from Microsoft Corp.

There have been many versions of Unix, which was developed by American Telephone & Telegraph Co. and is popular in powerful single-unit computers known as workstations. AT&T, which last year sold Unix to Novell Inc., licensed the system to other companies, which created their own variations.

Microsoft, by contrast, maintained control of its DOS and Windows operating systems, not allowing others to copy them.

Because personal computers made by International Business Machines Corp. have been based on DOS, Microsoft dominates the market for operating systems, which transmit instructions between computers and the programs that run on them.

More than 50 companies, including IBM, Hewlett-Packard Co., Apple Computer Inc., Digital Equipment Corp., Hitachi

Ltd., Amdahl Corp. and Unisys Corp. are adopting the standard. IBM, Apple and Motorola Corp. are developing a line of computer processing chips, called PowerPC, that will run the Unix system. They have pledged to work for open standards that will allow any company to design software that can run on their computers using Unix.

The single specification for application interfaces is expected to be detailed Wednesday. It would provide a common interface — the software equivalent of a light-bulb socket — to handle more than 90 percent of the applications developed for Unix.

Sales of hardware that run Unix systems hit \$18.7 billion last year and should reach \$20 billion this year, according to Rikki Kizner, a San Jose, California-based analyst for Dataquest, a market research firm.

By contrast, sales of hardware that run on Microsoft's DOS, the most widely used system for personal computers, reached \$44 billion last year.

But Unix, popular with scientists and universities, is gaining ground among corporate customers. Analysts view the agreement as a positive step, but not one that settles the divisions within the Unix camp. (NYT, AP)

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MARKET DIARY

Tech Issues Send Nasdaq to Record

Bloomberg Business News NEW YORK — With computer and software stocks leading the way, some market measures hit record highs Tuesday as over-extended long-term interest rates boosted prices.

"The bond market is really giving direction to the stock market," said Ronald Dorn, head of institutional trading at C.L. King & Associates.

While the Dow Jones industrial average rose 7.26 points to 3,651.25, just shy of its record close of 3,652.09 last Wednesday, both the Standard & Poor's 500 Index and the Nasdaq Composite Index

recovery remains modest at best, which will keep interest rates low, traders and money managers said.

"When growth is an unusual commodity because of the weak economy, the valuations of growth stocks should improve," said Larry Aashem, a money manager and computer industry analyst at CoreStates Investment Advisers.

Microsoft Corp. and Oracle Systems Corp. both growth stocks listed on the Nasdaq, rose sharply.

Microsoft leaped 2 1/2 to 75 1/4. An analyst at Goldman, Sachs & Co. said the company's next-generation operating system for desktop computers, dubbed Chicago, which combines Windows and DOS, has received favorable reviews.

Oracle, up 1 1/4 at \$14, continued to rebound from a sell-off last week that was triggered by Montgomery Securities' negative comments about pricing trends for database software.

IBM rallied 1 1/4 to 45 1/4. More than 50 computer manufacturers, including IBM, are to announce on Wednesday a standard for the Unix operating system, enabling companies to compete better with Microsoft's NT system.

Strong GDP Report Gives Dollar a Fillip

Bloomberg Business News NEW YORK — An unexpected rise in the government's estimate of second-quarter economic growth sent the dollar higher Tuesday.

The dollar jumped against the Deutsche mark and the yen after the Commerce Department revised its estimate for second-quarter gross domestic product growth to 1.8 percent from 1.6 percent.

"The number was better than expected and that was positive for the dollar," said Dave Glowacki, senior trader at NBD Capital in Detroit.

Signs that the U.S. economic recovery is still in gear will give the Federal Reserve more leeway to raise interest rates should inflation creep up, analysts said.

The dollar rose as high as 1.6828 DM before finishing at 1.6765 DM, up from 1.6720 DM Monday. It finished at 104.75 yen, up from 103,800 yen.

But traders are waiting for more strong economic news before they bid the dollar higher.

The Labor Department is scheduled to release its employment figures for August this Friday. A weak showing could lead to the dollar's resuming its recent decline against the mark, traders said.

The dollar has fallen 4 percent against the mark since July 30. Other figures released Tuesday suggest growth could remain sluggish.

Consumer confidence slipped in August, according to the Conference Board, while the Chicago Purchasing Managers Association said its business confidence index rose just a little.

The dollar got a lift in Tokyo trading after the minister of international trade and industry, Hiroshi Kumagai, urged the Bank of Japan to cut its discount rate to get the slumping economy going.

The dollar also rose to 5.8555 French francs from 5.8475 francs on Monday and to 1,4790 Swiss francs from 1,4725 francs. The pound fell to \$1.4919 from \$1.4931.

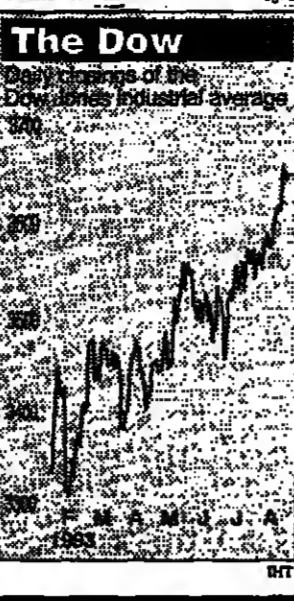


Table titled 'NYSE Most Actives' listing top trading volume stocks like Microsoft, Oracle, and IBM.

Table titled 'AMEX Most Actives' listing active stocks on the American Stock Exchange.

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Table titled 'AMEX Stock Index' showing high, low, and change for AMEX stock index.

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Table titled 'Financial' showing high, low, and change for financial futures.

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Table titled 'Cattle' showing high, low, and change for cattle futures.

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WORLD STOCK MARKETS

Agencies: Reuters, AP, Bloomberg, etc.

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Table titled 'Brussels' showing stock market data for Belgium.

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Table titled 'Singapore' showing stock market data for Singapore.

Table titled 'Stockholm' showing stock market data for Sweden.

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Stock Prices Jump in Israel

JERUSALEM — Israeli stocks soared Tuesday on Middle East peace developments, but the central bank governor said the country's 1994 budget plan did not take account of the costs of peace.

On the Tel Aviv stock exchange, the Mishnam index of blue-chip shares rose 2.46 percent as the cabinet endorsed a draft plan to turn over control of Jericho and the Gaza Strip to Palestinians.

Also Tuesday, Israel's cabinet tentatively approved a 1994 budget of 114 billion shekels (\$40.71 billion). But the Bank of Israel's governor, Jacob Frankel, said the spending plan did not account for expenses that could arise from the latest developments in the political arena.

The dollar got a lift in Tokyo trading after the minister of international trade and industry, Hiroshi Kumagai, urged the Bank of Japan to cut its discount rate to get the slumping economy going.

The dollar also rose to 5.8555 French francs from 5.8475 francs on Monday and to 1,4790 Swiss francs from 1,4725 francs. The pound fell to \$1.4919 from \$1.4931.

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U.S. FUTURES

Agencies: Reuters, AP, Bloomberg, etc.

Table titled 'Grains' showing futures prices for wheat, corn, and soybeans.

Table titled 'Livestock' showing futures prices for cattle, hogs, and sheep.

Table titled 'Cattle' showing futures prices for live cattle.

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U.S. Sees Growth at 2.1%

WASHINGTON (Combined Dispatches) — President Bill Clinton's chief economic adviser lowered her 1993 estimate of U.S. economic growth to 2.1 percent on Tuesday.

Laura D'Andrea Tyson, head of the President's Council of Economic Advisers, said in July that the gross domestic product's expansion would be "slightly short" of 2.5 percent, without specifying a rate.

Her comments followed the release of figures showing that the economy grew at a 1.3 percent annual pace in the first half of the year. "This is a modest recovery," Ms. Tyson said. Revisions to the GDP statistics also showed the 1990-91 recession was less severe than previously thought and that the recovery was stronger.

Ms. Tyson attributed the lackluster economic growth for this year to the collapse of commercial real estate prices, deflation cuts and recession overseas. She added, however, that the effects of low interest rates on the economy would show an increased effect over the next 12 months to 18 months, and perhaps longer.

Separately, in New York, the Conference Board said its index of consumer confidence had fallen to 59.0 in August from 59.3 in July, leaving it exactly where it was in August 1992. The business-funded research group's index, which uses its 1985 level as a base of 100, was as high as 78.1 in December 1992.

LOS ANGELES (UPI) — A federal jury awarded a \$1.2 billion verdict Tuesday to Litton Industries Inc. in a patent-infringement suit it brought against Honeywell Inc.

The case concerns a process to coat mirrors used in ring-laser gyroscopes, a device used for aircraft navigation. Litton sued Honeywell in March 1990. Honeywell filed a counterclaim in December 1990, alleging Litton tried to monopolize the market for inertial systems and interfered with Honeywell's relationship with suppliers.

Edward D. Grayson, Honeywell general counsel, said he was "outraged" at the size of the verdict, which followed an 11-week trial in Los Angeles. He also said Judge Mariana R. Pfaltzer, who presided over the trial, may reduce or eliminate the award. Litton did not comment.

CLEVELAND (Combined Dispatches) — Eaton Corp. said Tuesday that Siemens AG had waived its right to buy the electrical-distribution and controls business of Westinghouse Electric Corp., clearing the way for Eaton's \$1.1 billion bid.

Siemens had a right of first refusal dating to a 1989 supply contract, said Eaton, an electric and industrial systems and equipment concern. (Reuters, Bloomberg)

COLUMBUS, Ohio (Combined Dispatches) — Limited Inc., trying to improve its sagging sales and profit, plans to remodel, shrink or close about 360 stores it says are underperforming.

The clothing retailer will close about 100 Lerner stores and remodel or scale down about 260 Limited stores by the end of 1995, Vice Chairman Kenneth Gilman said in a conference call to analysts and reporters.

He said the company would take a \$200 million pretax charge for the move, offset by the \$285 million it received from selling a 60 percent interest in its Brytane mail-order catalog division. (AP, Reuters)

Marriott Corp. delayed its plan to split into two companies until Oct. 8 because the Internal Revenue Service had not yet ruled on whether the restructuring would be treated as a tax-free transaction. (Bloomberg)

Roger Ailes, the political consultant who orchestrated George Bush's victorious presidential campaign in 1988, was named president of CNBC, the business news cable channel operated by NBC. (NYT)

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NASDAQ

Tuesday's Prices
NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

12 Month High Low Stock Div Yld PE Ratio High Low Last Chg

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
120	110	IBM	3.00	2.5	12	120	115	118	+3
100	90	Microsoft	0.00	0.0	15	100	95	98	+3
80	70	Apple	0.00	0.0	10	80	75	78	+3
60	50	Oracle	0.00	0.0	12	60	55	58	+3
40	30	Amazon	0.00	0.0	8	40	35	38	+3

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
30	25	Google	0.00	0.0	10	30	28	29	+1
20	15	Yahoo	0.00	0.0	12	20	18	19	+1
15	10	Comcast	0.00	0.0	15	15	14	14.5	+0.5
10	8	Verizon	0.00	0.0	18	10	9	9.5	+0.5
8	6	AT&T	0.00	0.0	20	8	7	7.5	+0.5

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
5	4	Netflix	0.00	0.0	15	5	4.5	4.8	+0.3
4	3	Spotify	0.00	0.0	12	4	3.5	3.8	+0.3
3	2	Twitter	0.00	0.0	10	3	2.5	2.8	+0.3
2	1.5	LinkedIn	0.00	0.0	12	2	1.8	2.0	+0.2
1.5	1	Dropbox	0.00	0.0	10	1.5	1.3	1.4	+0.1

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
1.2	1.0	Zoom	0.00	0.0	15	1.2	1.1	1.15	+0.05
1.0	0.8	Slack	0.00	0.0	12	1.0	0.9	0.95	+0.05
0.8	0.6	Zoom	0.00	0.0	10	0.8	0.7	0.75	+0.05
0.6	0.5	Zoom	0.00	0.0	12	0.6	0.5	0.55	+0.05
0.5	0.4	Zoom	0.00	0.0	10	0.5	0.4	0.45	+0.05

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
10	8	Zoom	0.00	0.0	15	10	9	9.5	+0.5
8	6	Zoom	0.00	0.0	12	8	7	7.5	+0.5
6	4	Zoom	0.00	0.0	10	6	5	5.5	+0.5
4	3	Zoom	0.00	0.0	12	4	3	3.5	+0.5
3	2	Zoom	0.00	0.0	10	3	2	2.5	+0.5

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
2	1.5	Zoom	0.00	0.0	15	2	1.8	1.9	+0.1
1.5	1	Zoom	0.00	0.0	12	1.5	1.3	1.4	+0.1
1	0.8	Zoom	0.00	0.0	10	1	0.9	0.95	+0.05
0.8	0.6	Zoom	0.00	0.0	12	0.8	0.7	0.75	+0.05
0.6	0.4	Zoom	0.00	0.0	10	0.6	0.5	0.55	+0.05

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
0.5	0.4	Zoom	0.00	0.0	15	0.5	0.4	0.45	+0.05
0.4	0.3	Zoom	0.00	0.0	12	0.4	0.3	0.35	+0.05
0.3	0.2	Zoom	0.00	0.0	10	0.3	0.2	0.25	+0.05
0.2	0.1	Zoom	0.00	0.0	12	0.2	0.1	0.15	+0.05
0.1	0.05	Zoom	0.00	0.0	10	0.1	0.05	0.08	+0.03

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
0.05	0.04	Zoom	0.00	0.0	15	0.05	0.04	0.045	+0.005
0.04	0.03	Zoom	0.00	0.0	12	0.04	0.03	0.035	+0.005
0.03	0.02	Zoom	0.00	0.0	10	0.03	0.02	0.025	+0.005
0.02	0.01	Zoom	0.00	0.0	12	0.02	0.01	0.015	+0.005
0.01	0.005	Zoom	0.00	0.0	10	0.01	0.005	0.008	+0.003

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
0.005	0.004	Zoom	0.00	0.0	15	0.005	0.004	0.0045	+0.0005
0.004	0.003	Zoom	0.00	0.0	12	0.004	0.003	0.0035	+0.0005
0.003	0.002	Zoom	0.00	0.0	10	0.003	0.002	0.0025	+0.0005
0.002	0.001	Zoom	0.00	0.0	12	0.002	0.001	0.0015	+0.0005
0.001	0.0005	Zoom	0.00	0.0	10	0.001	0.0005	0.0008	+0.0003

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
0.0005	0.0004	Zoom	0.00	0.0	15	0.0005	0.0004	0.00045	+0.00005
0.0004	0.0003	Zoom	0.00	0.0	12	0.0004	0.0003	0.00035	+0.00005
0.0003	0.0002	Zoom	0.00	0.0	10	0.0003	0.0002	0.00025	+0.00005
0.0002	0.0001	Zoom	0.00	0.0	12	0.0002	0.0001	0.00015	+0.00005
0.0001	0.00005	Zoom	0.00	0.0	10	0.0001	0.00005	0.00008	+0.00003

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
0.00005	0.00004	Zoom	0.00	0.0	15	0.00005	0.00004	0.000045	+0.000005
0.00004	0.00003	Zoom	0.00	0.0	12	0.00004	0.00003	0.000035	+0.000005
0.00003	0.00002	Zoom	0.00	0.0	10	0.00003	0.00002	0.000025	+0.000005
0.00002	0.00001	Zoom	0.00	0.0	12	0.00002	0.00001	0.000015	+0.000005
0.00001	0.000005	Zoom	0.00	0.0	10	0.00001	0.000005	0.000008	+0.000003

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
0.000005	0.000004	Zoom	0.00	0.0	15	0.000005	0.000004	0.0000045	+0.0000005
0.000004	0.000003	Zoom	0.00	0.0	12	0.000004	0.000003	0.0000035	+0.0000005
0.000003	0.000002	Zoom	0.00	0.0	10	0.000003	0.000002	0.0000025	+0.0000005
0.000002	0.000001	Zoom	0.00	0.0	12	0.000002	0.000001	0.0000015	+0.0000005
0.000001	0.0000005	Zoom	0.00	0.0	10	0.000001	0.0000005	0.0000008	+0.0000003

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
0.0000005	0.0000004	Zoom	0.00	0.0	15	0.0000005	0.0000004	0.00000045	+0.00000005
0.0000004	0.0000003	Zoom	0.00	0.0	12	0.0000004	0.0000003	0.00000035	+0.00000005
0.0000003	0.0000002	Zoom	0.00	0.0	10	0.0000003	0.0000002	0.00000025	+0.00000005
0.0000002	0.0000001	Zoom	0.00	0.0	12	0.0000002	0.0000001	0.00000015	+0.00000005
0.0000001	0.00000005	Zoom	0.00	0.0	10	0.0000001	0.00000005	0.00000008	+0.00000003

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
0.00000005	0.00000004	Zoom	0.00	0.0	15	0.00000005	0.00000004	0.000000045	+0.000000005
0.00000004	0.00000003	Zoom	0.00	0.0	12	0.00000004	0.00000003	0.000000035	+0.000000005
0.00000003	0.00000002	Zoom	0.00	0.0	10	0.00000003	0.00000002	0.000000025	+0.000000005
0.00000002	0.00000001	Zoom	0.00	0.0	12	0.00000002	0.00000001	0.000000015	+0.000000005
0.00000001	0.000000005	Zoom	0.00	0.0	10	0.00000001	0.000000005	0.000000008	+0.000000003

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
0.000000005	0.000000004	Zoom	0.00	0.0	15	0.000000005	0.000000004	0.0000000045	+0.0000000005
0.000000004	0.000000003	Zoom	0.00	0.0	12	0.000000004	0.000000003	0.0000000035	+0.0000000005
0.000000003	0.000000002	Zoom	0.00	0.0	10	0.000000003	0.000000002	0.0000000025	+0.0000000005
0.000000002	0.000000001	Zoom	0.00	0.0	12	0.000000002	0.000000001	0.0000000015	+0.0000000005
0.000000001	0.0000000005	Zoom	0.00	0.0	10	0.000000001	0.0000000005	0.0000000008	+0.0000000003

12 Month High	12 Month Low	Stock	Div	Yld	PE Ratio	High	Low	Last	Chg
0.0000000005	0.0000000004	Zoom	0.00	0.0	15	0.0000000005	0.0000000004	0.00000000045	+0.00000000005
0.0000000004	0.0000000003	Zoom	0.00	0.0	12	0.0000000004	0.0000000003	0.00000000035	+0.00000000005
0.0000000003	0.0000000002	Zoom	0.00	0.0	10	0.0000000003	0.0000000002	0.00000000025	+0.00000000005
0.0000000002	0.0000000001	Zoom	0.00	0.0	12	0.0000000002	0.0000000001	0.00000000015	+0.00000000005
0.0000000001	0.00000000005	Zoom	0.00	0.0	10	0.0000000001	0.00000000005	0.00000000008	+0.00000000003

BNP Will Be First As France Begins Privatization Sales

Compiled by Our Staff From Dispatches
PARIS — Banque Nationale de Paris will be the first of 21 state-owned companies to be sold to the private sector, Finance Minister Edouard Balladur said Tuesday.

Mr. Balladur, speaking at an independent commission that will help to value the companies for sale to investors, said BNP's active role in the French economy made it an obvious first candidate.

"It's a symbol," he said. "It's a very good way to get the privatization ball rolling."

The 21 companies are due to be sold under a five-year plan worked out by the five-month-old center-right coalition government of Prime Minister Edouard Balladur. Mr. Balladur has said he hopes to raise 40 billion francs (\$6.85 billion) from sales of the first four, scheduled for late this year: BNP, the pharmaceutical and chemical company Rhone-Poulenc SA, the oil company Elf Aquitaine and a small retail bank, Banque Paribas.

The exact date of the BNP sale has yet to be set, though Mr. Balladur said it would probably come within a few weeks. Some reports in the French press put the date at Oct. 5.

He said the price would be set "at the latest moment possible, at a level above or equal to that fixed by the privatization commission."

The French stock market is currently at record highs, and shares of financial companies have fared especially well on expectations of lower interest rates. But the government reserved the right to delay the sale if market conditions changed.

Francois Marchal, international salesman for French equities at Societe Generale, said he expected BNP to be priced in a range of 550 to 375 francs a share.

Analysts say the state could raise 25 billion to 30 billion francs if it sold its entire direct stake of 72.9 percent in BNP's capital. Last week, when the bank released its first-half results, it put its book value at 37 billion francs.

BNP is France's third-largest bank, with 1,900 branches and operations in a total of 78 countries. It recently reported that its net profit

after payments to minority interests fell 61 percent to 522 million francs in the first half of this year. But analysts said that represented an attempt by its new chairman, Michel Fèbvre, to clean up the bank's balance sheet.

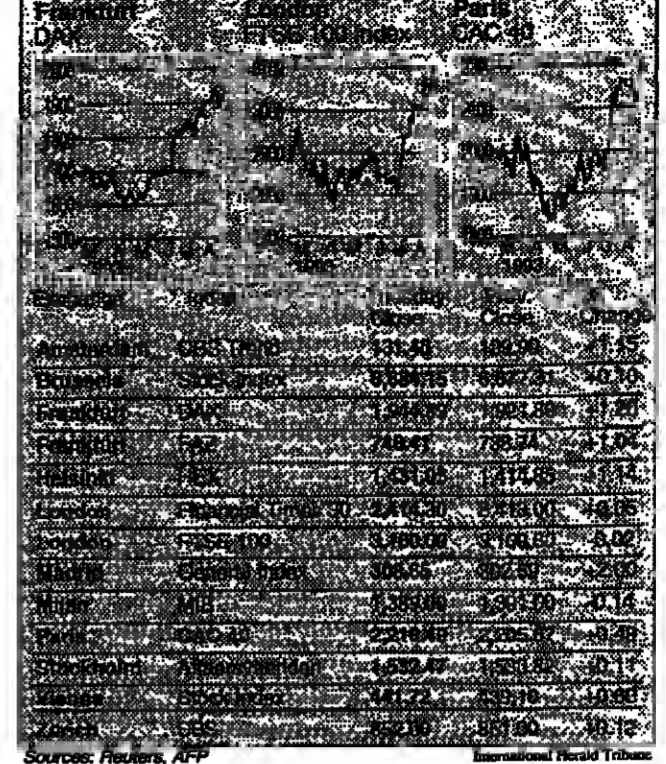
A jump in provisions for general risks and bad loans, chiefly the result of exposure to troubled small and medium-sized firms, was the main reason for the profit slide.

Some had thought Rhone-Poulenc would be sold first, as it had already been valued when 6 million of its shares were sold under the previous Socialist government.

But Rhone-Poulenc Chairman Jean-René Fourton said in early August that he expected a 10 percent decline in first-half net profit and that full-year profit could be down from the previous year. That outlook clashed with several forecasts made by Mr. Fourton earlier in the year of rising profit.

(Reuters, Bloomberg, AP)

Investor's Europe



Source: Reuters, AFP International Herald Tribune

Very briefly:

- Olivetti SpA said a consortium it leads would invest 2.0 trillion lire (\$1.25 billion) in a cellular network if it was chosen to provide Italy's second system, alongside that of the state-owned SIP SpA.
- VDMA, the Germany machinery-industry group, said machinery orders in July were 9 percent below those of the like month a year earlier; domestic orders fell 13 percent, while foreign orders were off 4 percent.
- EDI, the Federation of German Industry, said the West German economy would contract 2 percent to 2.5 percent this year.
- Switzerland's second-quarter gross domestic product fell 0.2 percent from the first quarter and 1.2 percent from a year earlier, although household consumption edged up 0.2 percent during the quarter.
- Telefonos de España SA said net consolidated profit in the first half of the year rose 2.5 percent, to 49.69 billion pesetas (\$366.7 million).
- Koninklijke Bols-Wessanen NV bought the assets of Cedarburg Dairy Inc. in Cedarburg, Wisconsin, in an attempt to expand its U.S. market share, for an undisclosed price; the dairy has annual sales of \$35 million.

CS Profit Disappoints Market

Bloomberg Business News
ZURICH — CS Holding AG disappointed the market Tuesday despite reporting a 62.4 percent rise in first-half profit.

The parent of Credit Suisse, CS First Boston, Leu Holding and Swiss Volksbank, said net profit in the first half rose to 882 million francs

More Cutbacks for Japan? Accord on Car Sales to EC Is Expected

Reuters
TOKYO — Japan is almost certain to give in to demands for more cuts in its vehicle exports to the slumping European Community market, although a final deal may not be reached at talks in Tokyo this week, industry analysts said Tuesday.

"Japan really has no choice but to comply with a reduction [in exports] to a market that is much sicker than anyone realized," said Steve Usher, a car-industry analyst at Kleinwort Benson International. "I think Japan is just trying to put off the inevitable."

Negotiators for the Community and Japan will meet in Tokyo on Thursday and Friday for a second round of negotiations on further cuts since agreeing in April that Japan would cut its vehicle exports for 1993 by 9.4 percent from the previous year.

That reduction was based on a forecast that the EC market for cars and light commercial vehicles would shrink by 6.5 percent this year.

Since then, however, the European car industry and the EC Commission have forecast a plunge of 15 percent to 16 percent in the market, with Germany, France, Spain and Italy losing the most.

A previous round of talks, in Brussels in July, failed to reach an agreement on a new export target.

Under a monitoring exercise agreed to in 1991, the EC expects Tokyo to adjust its shipments to reflect forecasts of demand in Europe, although Japan officially recognizes no such obligation.

The export monitoring is part of an agreement that spelled out procedures for a seven-year transition period between the creation of the single EC market this year and the opening of that market to unrestricted Japanese competition in autos.

Japan recognizes that vehicle demand in the Community dropped about 18 percent in the first seven months of this year, an official of the Ministry of International Trade and Industry said Tuesday.

Japan expects, however, that demand in the Community, particularly in Britain, will pick up in the second half, he said.

Analysts forecast a cut in Japanese exports of 9 percent or 10 percent from the 1,089,000 units agreed on in April — a decrease hardly likely to be welcomed by Japanese carmakers struggling with the effects of the strong yen and sluggish domestic demand.

Japan Seeks Economic Succor

Minister Calls for Rate Cut Data Provide Little Hope

Compiled by Our Staff From Dispatches
Reuters
TOKYO — Hiroshi Kamagai, Japan's minister for international trade and industry, urged the Bank of Japan on Tuesday to cut its discount rate, now at 2.5 percent, and called for the government to consider additional fiscal-stimulus measures.

The discount rate, the rate the central bank charges commercial banks for short-term loans, was reduced by three-quarters of a percentage point in February. Market participants generally expect the central bank to respond to the continued weakness in the economy by cutting the rate in September. But the minister's call for a cut in the rate was an unusually blunt statement for a leading politician.

Separately, the government considered a series of measures to promote imports, ease the burden of government on industry and pass on the positive effects of a strong yen to consumers, officials said.

Ideas under discussion reportedly included relaxing technical standards and paperwork requirements for imports, especially of building materials; further deregulating interest rates; and promoting competition in the utilities and gasoline-distribution industries.

Manabu Kubota, director general of the Economic Planning Agency, said at a separate news conference that the government was studying various formulas concerning the relationship between a stronger yen and reduced consumer prices. (Bloomberg, AFP)

Reuters
TOKYO — The latest economic indicators showed little sign of any recovery in Japan despite the government's stimulus measures, economists said Tuesday.

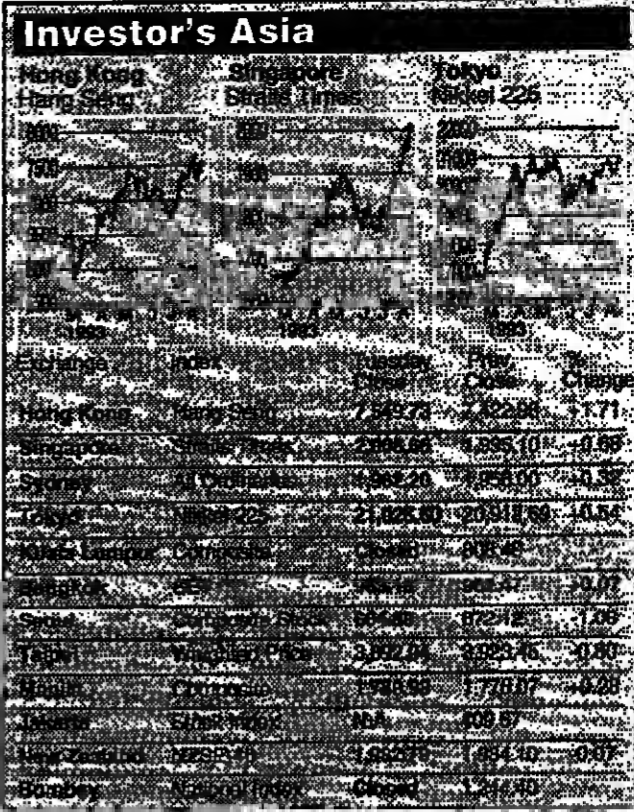
The Ministry of International Trade and Industry said industrial production fell a preliminary 0.3 percent in July from the previous month and a preliminary 4.5 percent from a year earlier.

The ministry added that the figures would probably fall further in August, because of longer summer holidays this year, and then would remain stagnant for several months.

Orders received by Japan's 50 largest construction companies, meanwhile, fell 33.6 percent in July from a year earlier, to 1.18 trillion yen (\$11.37 billion), their sixth consecutive monthly decline, the Construction Ministry said. Despite the government's stimulus efforts, orders from the public sector were down 29.9 percent to 382.34 billion yen.

The government adopted economic-stimulus packages valued at 10.8 trillion yen and 13.2 trillion yen in August 1992 and April 1993, respectively.

Japan's housing starts rose a better-than-expected 4.6 percent from a year earlier, to 137,340 in July, the 14th month of year-on-year gains, according to the Construction Ministry. But Kazuya Fukuda, economist at Yasuda Research Institute, said, "One good indicator is not enough to convince us that Japan is going toward economic recovery."



Sources: Reuters, AFP

Taiwan State Companies to Lay Off Hundreds

Reuters
TAIPEI — Taiwan's state-owned companies plan to lay off hundreds of employees to boost their competitive edge, the government's Commission of National Corporations said Tuesday.

The commission's deputy director, Ku Chang-hao, said the Economics Ministry would ask all 10 major state companies under its control to reduce employment.

The 10 companies, including Chinese Petroleum Corp., Taiwan Power Co. and China Steel

Corp., employ about 93,000 people. "Personnel costs are a big burden for most of the state firms and retrenchment is a necessary step to cut costs," Mr. Ku said. "After retrenchment, state firms will be better able to compete with their private counterparts."

Streamlining state companies will also make them more attractive for privatization, he said. The government launched a plan to sell majority stakes in more than 20 state companies in 1989, but progress has been slow because of a

weak stock market, bureaucratic delays and union opposition.

Mr. Ku said Taiwan Machinery Manufacturing Corp. planned to lay off about 700 people, China Petrochemical Development Corp. about 200 and BES Engineering Corp. about 200.

He said the series of layoffs would be the first major one by Taiwanese state firms since China Shipbuilding Corp. laid off about 1,400 employees in 1985.

Very briefly:

- Bangkok Expressway Co., a consortium of the Japanese construction company Kamegai Gumi Ltd., the Asian Development Bank and Thai banks, was ordered by a Thai court to open an expressway in traffic-clogged Bangkok kept closed by a five-month dispute over tolls.
- Ricoh Co. will increase overseas output to 90 percent of its total camera production by the end of the year, from 80 percent now, shifting output to Taiwan and China to overcome the effects of the yen's surge.
- The National Tax Administration Agency of Japan said that income reported by major companies declined 14.4 percent from a year earlier, to 15.66 trillion yen (\$151 billion) in the year ended March 31.
- Taiyo Fishery Co., the world's biggest seafood processor, said it would change its name to Maruha Corp. to reflect the company's shift of emphasis away from fishing.
- Nippon Telegraph & Telephone Corp. hopes to receive applications for early retirement from around 10,000 workers by March 1995 as part of a cost-cutting plan.
- John Hancock Variable Life Insurance, based in Boston, has closed its Taiwan branch due to what Taipei officials called increasing competition in the newly liberalized market.

AFP, APX, Reuters, AP

AMEX

Tuesday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month	High	Low	Stock	Chg	Yld	PE	Div	High	Low	Stock	Chg	Yld	PE	Div
100	100	100	AMEX	0.00	1.00	10.00	0.00	100	100	100	0.00	1.00	10.00	0.00
101	101	101	AMEX	0.00	1.00	10.00	0.00	101	101	101	0.00	1.00	10.00	0.00
102	102	102	AMEX	0.00	1.00	10.00	0.00	102	102	102	0.00	1.00	10.00	0.00
103	103	103	AMEX	0.00	1.00	10.00	0.00	103	103	103	0.00	1.00	10.00	0.00
104	104	104	AMEX	0.00	1.00	10.00	0.00	104	104	104	0.00	1.00	10.00	0.00
105	105	105	AMEX	0.00	1.00	10.00	0.00	105	105	105	0.00	1.00	10.00	0.00
106	106	106	AMEX	0.00	1.00	10.00	0.00	106	106	106	0.00	1.00	10.00	0.00
107	107	107	AMEX	0.00	1.00	10.00	0.00	107	107	107	0.00	1.00	10.00	0.00
108	108	108	AMEX	0.00	1.00	10.00	0.00	108	108	108	0.00	1.00	10.00	0.00
109	109	109	AMEX	0.00	1.00	10.00	0.00	109	109	109	0.00	1.00	10.00	0.00
110	110	110	AMEX	0.00	1.00	10.00	0.00	110	110	110	0.00	1.00	10.00	0.00
111	111	111	AMEX	0.00	1.00	10.00	0.00	111	111	111	0.00	1.00	10.00	0.00
112	112	112	AMEX	0.00	1.00	10.00	0.00	112	112	112	0.00	1.00	10.00	0.00
113	113	113	AMEX	0.00	1.00	10.00	0.00	113	113	113	0.00	1.00	10.00	0.00
114	114	114	AMEX	0.00	1.00	10.00	0.00	114	114	114	0.00	1.00	10.00	0.00
115	115	115	AMEX	0.00	1.00	10.00	0.00	115	115	115	0.00	1.00	10.00	0.00
116	116	116	AMEX	0.00	1.00	10.00	0.00	116	116	116	0.00	1.00	10.00	0.00
117	117	117	AMEX	0.00	1.00	10.00	0.00	117	117	117	0.00	1.00	10.00	0.00
118	118	118	AMEX	0.00	1.00	10.00	0.00	118	118	118	0.00	1.00	10.00	0.00
119	119	119	AMEX	0.00	1.00	10.00	0.00	119	119	119	0.00	1.00	10.00	0.00
120	120	120	AMEX	0.00	1.00	10.00	0.00	120	120	120	0.00	1.00	10.00	0.00
121	121	121	AMEX	0.00	1.00	10.00	0.00	121	121	121	0.00	1.00	10.00	0.00
122	122	122	AMEX	0.00	1.00	10.00	0.00	122	122	122	0.00	1.00	10.00	0.00
123	123	123	AMEX	0.00	1.00	10.00	0.00	123	123	123	0.00	1.00	10.00	0.00
124	124	124	AMEX	0.00	1.00	10.00	0.00	124	124	124	0.00	1.00	10.00	0.00
125	125	125	AMEX	0.00	1.00	10.00	0.00	125	125	125	0.00	1.00	10.00	0.00
126	126	126	AMEX	0.00	1.00	10.00	0.00	126	126	126	0.00	1.00	10.00	0.00
127	127	127	AMEX	0.00	1.00	10.00	0.00	127	127	127	0.00	1.00	10.00	0.00
128	128	128	AMEX	0.00	1.00	10.00	0.00	128	128	128	0.00	1.00	10.00	0.00
129	129	129	AMEX	0.00	1.00	10.00	0.00	129	129	129	0.00	1.00	10.00	0.00
130	130	130	AMEX	0.00	1.00	10.00	0.00	130	130	130	0.00	1.00	10.00	0.00
131	131	131	AMEX	0.00	1.00	10.00	0.00	131	131	131	0.00	1.00	10.00	0.00
132	132	132	AMEX	0.00	1.00	10.00	0.00	132	132	132	0.00	1.00	10.00	0.00
133	133	133	AMEX	0.00	1.00	10.00	0.00	133	133	133	0.00	1.00	10.00	0.00
134	134	134	AMEX	0.00	1.00	10.00	0.00	134	134	134	0.00	1.00	10.00	0.00
135	135	135	AMEX	0.00	1.00	10.00	0.00	135	135	135	0.00	1.00	10.00	0.00
136	136	136	AMEX	0.00	1.00	10.00	0.00	136	136	136	0.00	1.00	10.00	0.00
137	137	137	AMEX	0.00	1.00	10.00	0.00	137	137	137	0.00	1.00	10.00	0.00
138	138	138	AMEX	0.00	1.00	10.00	0.00	138	138	138	0.00	1.00	10.00	0.00
139	139	139	AMEX	0.00	1.00	10.00	0.00	139	139	139	0.00	1.00	10.00	0.00
140	140	140	AMEX	0.00	1.00	10.00	0.00	140	140	140	0.00	1.00	10.00	0.00
141	141	141	AMEX	0.00	1.00	10.00	0.00	141	141	141	0.00	1.00	10.00	0.00
142	142	142	AMEX	0.00	1.00	10.00	0.00	142	142	142	0.00	1.00	10.00	0.00
143	143	143	AMEX	0.00	1.00	10.00	0.00	143	143	143	0.00	1.00	10.00	0.00
144	144	144	AMEX	0.00	1.00	10.00	0.00	144	144	144	0.00	1.00	10.00	0.00
145	145	145	AMEX	0.00	1.00	10.00	0.00	145	145	145	0.00	1.00	10.00	0.00
146	146	146	AMEX	0.00	1.00	10.00	0.00	146	146	146	0.00	1.00	10.00	0.00
147	147	147	AMEX	0.00	1.00	10.00	0.00	147	147	147	0.00	1.00	10.00	0.00
148	148	148	AMEX	0.00	1.00	10.00	0.00	148	148	148	0.00	1.00	10.00	0.00
149	149	149	AMEX	0.00	1.00	10.00	0.00	149	149	149	0.00	1.00	10.00	0.00
150	150	150	AMEX	0.00	1.00	10.00	0.00	150	150	150	0.00	1.00	10.00	0.00
151	151	151	AMEX	0.00	1.00	10.00	0.00	151	151	151	0.00	1.00	10.00	0.00
152	152	152	AMEX	0.00	1.00	10.00	0.00	152	152	152	0.00	1.00	10.00	0.00
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158	158	158	AMEX	0.00	1.00	10.00	0.00	158	158	158	0.00	1.00	10.00	0.00
159	159	159	AMEX	0.00	1.00	10.00	0.00	159	159	159	0.00	1.00	10.00	0.00
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161	161	161	AMEX	0.00	1.00	10.00	0.00	161	161	161	0.00	1.00	10.00	0.00
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163	163	163	AMEX	0.00	1.00	10.00	0.00	163	163	163	0.00	1.00	10.00	0.00
164	164	164	AMEX	0.00	1.00	10.00	0.00	164	164	164	0.00	1.00	10.00	0.00
165	165	165	AMEX	0.00	1.00	10.00	0.00	165	165	165	0.00	1.00	10.00	0.00
166	166	166	AMEX	0.00	1.00	10.00	0.00	166	166	166	0.00	1.00	10.00	0.00
167	167	167	AMEX	0.00	1.00	10.00	0.00	167	167	167	0.00	1.00	10.00	0.00
168	168	168	AMEX	0.00	1.00	10.00	0.00	168	168	168	0.00	1.00	10.00	0.00
169	169	169	AMEX	0.00	1.00	10.00	0.00	169	169	169	0.00	1.00	10.00	0.00
170	170	170	AMEX	0.00	1.00	10.00	0.00	170	170	170	0.00	1.00	10.00	0.00
171	171	171	AMEX	0										

NYSE

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

(Continued)

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, Bid, Ask, High, Low, Last, Chg, Pct. Lists various stocks and their prices.

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CABLE: These Californians Have Seen the Future and Switched Channels

Continued from Page 9
thing, and we're not into home shopping," said Charles Rose, a Cerritos resident who also happens to be a telecommunications consultant.

phone and cable service in the community of 53,000 about 25 miles (40 kilometers) southeast of Los Angeles. That waiver expires in a year, and the experiment may end then.

its cheaper, or sit down at the kitchen table to pay bills instead of entrusting the task to their TV.

The Cerritos experiment is actually 19 experiments that offer subscribers varying levels of interactivity. GTE is the local phone carrier, too, so it needed a waiver of Federal Communications Commission rules to provide both

The most ambitious of the projects is Main Street, which lets 350 households use TV for shopping, educational and entertainment options. Another major test, with 4,300 subscribers, is Center Screen, which lets customers watch a movie within 30 minutes of ordering.

If opinions of Cerritos residents are any indication, cable and phone companies should brace for an uphill battle in convincing consumers that they need these services.

Table with columns: 12 Month High, Low, Stock, Div, Yld, PE, Bid, Ask, High, Low, Last, Chg, Pct. Lists various stocks and their prices.

INTERNATIONAL FUNDS

Questions supplied by funds listed. Not actual values. Questions are supplied by the funds listed with the exception of some quotes based on issues prices. The marginal symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (m) - monthly; (b) - bi-monthly; (q) - quarterly; (a) - annually; (s) - semi-annually; (y) - yearly.

Large table listing various international funds with columns for fund name, share price, and other details. Includes sections for International Funds, Global Funds, and Other Funds.

Large table listing various domestic and international funds with columns for fund name, share price, and other details. Includes sections for Domestic Funds, International Funds, and Global Funds.

For information on how to list your fund, fax Simon OSBORN at (33-1) 46 37 21 33.



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ADVERTISING SECTION

ADVERTISING SECTION

GERMANY BERLIN AND BRANDENBURG

The union of Brandenburg and Berlin will result in Germany's fifth-largest state, in terms of both population and surface area. The state will be home to more than 6 million people and cover nearly 30,000 square meters (323,000 square feet). In 1992, the region chalked up a gross domestic product of more than 150 billion Deutsche marks (\$88 billion).

Union at the Center: A Reality Becomes Official

Two major moves will mark the culmination and the concrete expression of German political union. Both moves are currently the subject of intense, detailed and far-ranging intergovernmental planning and negotiation. And both involve the same city — Berlin — and the same target date — the end of the decade.

The first move is now set for completion by 1998 — eight years after German reunification. Heading toward Berlin, the designated seat of the nation's federal government, are the Bundestag (Germany's national parliament), 10 federal ministries, and the offices of the president and the chancellor. Eight ministries are to remain in Bonn.

The second move will probably occur a year later. Putting an end to decades of political and economic separation, Berlin and Brandenburg will unite to form a single federal state. The state half of Berlin's city-state government, comprising several thousand people, will be relocated to Potsdam, present capital of Brandenburg.

To accommodate the federal agencies, an unprecedented exercise in capital-city planning is unfolding. No less than four individual projects are making their way from architects' drawing boards and the halls of blue-ribbon judging panels toward realization. Each project involves part of Berlin's six-square-kilometer (2.3-square-mile) central governmental and business

district. Once completed, the major, western segment of the central governmental area alone will feature 17 new or totally renovated structures with a total of 380,000 square meters (4 million square feet) of floor space, a major train station and a park-like mall. The timetable for completion is highly dependent upon Germany's economic fortunes and political will.

In every aspect but the formal, political one, the capital region has already constituted itself as a single, integrated unit. "Our business persons are far ahead of our politicians," says Gisela Rüß, senior adviser at Brandenburg's state chancellery and member of the interstate-union negotiating team. Walter Hürche, the state's economics minister, agrees. "When businesses are considering where to locate a new factory or office in the Brandenburg-Berlin region," he says, "they consider a number of factors: access to autobahns and rail lines, quality of personnel available and quality of life. One thing not considered is where the state boundary happens to run."

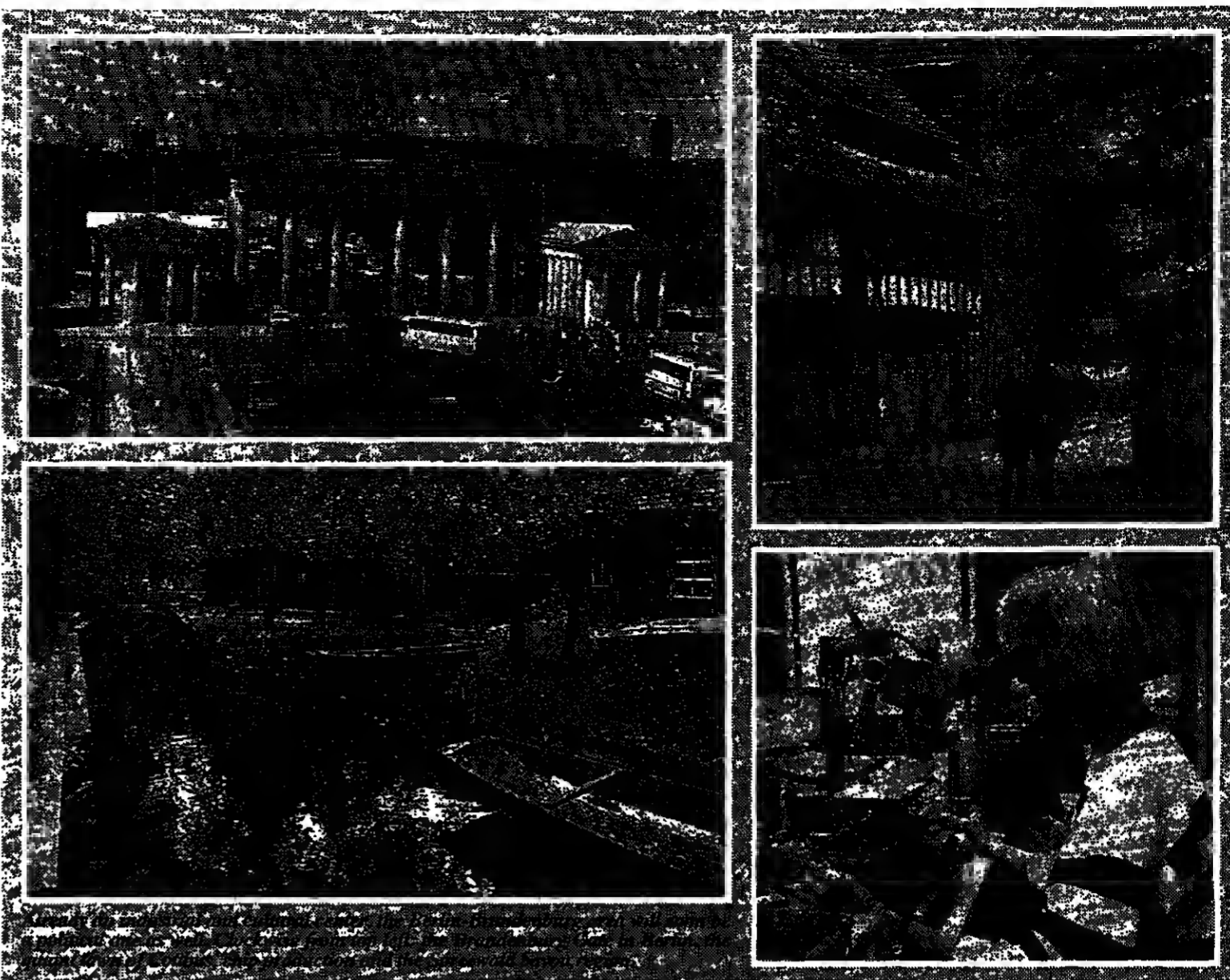
Networks of branch offices maintained by banks, insurance companies and other service companies routinely extend throughout the entire "Brandenburg-Berlin business area."

With the area's booming real-estate market offering a bewildering array of business-park and office sites, trans-state "corporate splits" have become common. A typical company has its headquarters in a newly completed office complex situated on the Berliner Ring (the city's suburban belt-line) or a newly restored "Gründerzeit villa" in Berlin's "center city east" district. Its production facilities extend from Wedding (the heart of Western Berlin's industrial sector) to Tempin Süd in Brandenburg's northern region. Its products come from its "research associates," or specialized high-tech companies, clustered in Berlin's four large-scale "innovation parks" and Brandenburg's technology-transfer centers.

Operating on an interstate scale, however, means contending with two separate taxation codes, land-use approval processes, waste-disposal schemes and much more. It is this unnecessary, time- and money-wasting duplication that has made the business community among the most ardent supporters of Brandenburg-Berlin unification.

In its efforts, the business community is hacked by the region's residents, for most of whom the unity of Berlin and Brandenburg has become a reality experienced twice every day — when commuting to and from work — and twice on the weekend. On Saturday mornings, the

Continued on Page 16



A Strong Financial Sector for the Capital Region

Buoyed by the accession of a financial hinterland and the creation of a major banking group, Berlin is making a bid to become a center of international financial services.

Germany's unification gave Berlin a deposit-catchment area comprising some 20 million private customers and well over 540,000 corporate customers. Financing this area's ongoing property- and business-development boom has made the city a major supplier and consumer of capital. The city's burgeoning investment power and needs are conveyed to world systems

by newly arrived international houses and a newly organized local banking giant.

Is Berlin set to be Europe's next financial hub? "The volume of the capital transactions initiated by or destined for Berlin and its financial market area entitles the city to be viewed as a continental financial center," says Wolfgang Steinriede, speaker of the board of managing direc-

tors of Berliner Bank AG. "The size and scope of these transactions are helping the city establish itself as a staging ground for international market operations."

Capital is flowing to banks in the Berlin and Brandenburg region in ever-greater quantities. Since unification, Eastern Germany's state and local governments have been grappling with the difficult and costly business of political and economic transformation. Individuals in Eastern Germany have generally been prospering. According to figures released by the Deutsche Bundesbank, the figure for

average personal net worth in the region has jumped 50 percent over the past three years. Brandenburg's banks registered a 25-percent increase in total customer deposits during 1992 and the first quarter of 1993. Eighty-five percent of this increase, or more than 5 billion Deutsche marks (\$3 billion), was generated by private accounts. During the same period, powered by a strong contribution from new clients in the eastern half of the city, Berlin's savings and giro banks recorded a whopping 120-percent increase in total deposits from non-bank customers. These

funds generally flow from the banks to local businesses and individuals in the form of credits.

Start-up and operating capital for the 135,000 "operative," or fully functional, companies and professional practices founded in the two states since 1990 has largely been furnished by the region's banks.

Local finance houses have largely bankrolled the region's building boom, which is on course to reach a new peak in 1993. Berlin's savings and giro banks recorded a whopping 120-percent increase in total deposits from non-bank customers. These

Continued on Page 16



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'The New State Will Be More Than the Sum of Its Parts'

Eberhard Diepgen is Berlin's Regierender Bürgermeister (governing mayor). Born in 1941, Mr. Diepgen earned a degree in jurisprudence. In 1971, he was elected to West Berlin's city-state parliament. In 1984, Mr. Diepgen was elected governing mayor of Berlin, a position he held until early 1989. In 1991, he was returned to the governing mayorship. In this interview, he discusses the economic and political prospects for Berlin and Brandenburg.

Berlin and Brandenburg recently received a key "getting engaged" present from Theo Waigel (Germany's finance minister). He pledged to continue Berlin's special city-state funding in the period following the "wedding" of Berlin and Brandenburg. Are there any other obstacles standing in the way of this political marriage?

Obstacles, no. But there are literally hundreds of detailed matters to be resolved, as is to be expected when you're welding four very different areas — Western Berlin, Eastern Berlin, the Brandenburgian portion of the metropolis and Brandenburg's other sections — into one political and administrative entity. The two states have already reached a number of important accords, such as the one setting up a joint coordinating agency for urban and regional planning. Other authorities and agreements are in the pipeline.

One perception is helping stoke national support for

the union: that it will be more cost- and time-efficient than the present situation, which features unnecessary barriers and a duplication of bureaucracies. Another plus: the realization that the new state will be more than the simple sum of the two former ones, that joining Berlin's unique assets and strengths to those of Brandenburg will yield synergies — and a very strong state with solid finances. This will obviously benefit the entire country and each of the other individual states.

What changes will redrawing the map produce in the new state and in the country?

The region's businesses and residents have already, to a large extent, redrawn their individual maps. To them, Berlin and Brandenburg are already well on the way to being a single entity.

The map drawing may very well spill over to the national and international levels. The fact that we are currently removing a boundary, that we are forging a region of coherent political and economical dimensions, is setting a precedent for Germany's other states — several of which are now launched on similar, "regionalizing" negotiations — and for the European Community as a whole.

A consensus seems to have emerged among Germany's major political parties. The relocation of the country's federal government is to take place by 1998 on a "move now, build as soon as you can" basis. What's behind this

solidifying support for a relatively speedy move to Berlin?

Tight finances — and the accompanying recognition that the move can be staged in a way that will not pose undue financial burdens upon the country. On the contrary, downtown Berlin already has a large stock of high-quality buildings owned by the federal government. Quartering ministries in these buildings will cut down on the federal government's total annual overhead. I always stress that 1998 is a point of orientation, nothing more. There's not going to be one big moving day. Various departments in the ministries of economics, transport and the interior will be arriving before then; others will come later.

Tight finances have also brought a welcome measure of realism as regards the time frame for the transformation of Berlin. If you take a look around downtown Berlin, you'll see that there's a lot to be done. It's a job — and this is now generally understood — that will take 20 years and the work and ideas of several generations. There is not going to be a massive uprooting of the center city during this interim period. By using what we have and building what we need, we'll be able to avoid "rush-hour" costs. In the end, Berlin residents will live in one of the most modern cities in the world, and the citizens of Germany will have a highly functional, gracious capital.



Toward union: Mr. Stolpe, Brandenburg's governor. Eberhard Diepgen, Berlin's governing mayor.

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مكتبة من الأصل

Getting Around: Transport Projects

In 1992, more people traveled to Berlin and Brandenburg than ever before, according to key indicators.

Although tenuous at best, road-traffic counts reported an increase in automobile-borne visitors to Berlin and Brandenburg. The number of train tickets sold in the region registered another surge. Most interestingly, the total volume of passengers landing and taking off at Berlin's three airports jumped 13 percent, elevating the city to third place among Germany's air destinations.

Today, there are more links to Berlin and Brandenburg than ever before, and they are a good deal faster. Germany's top-of-the-line IC and ICE express trains have come to Berlin and Brandenburg, topping 20 percent off previous travel times. When all of the new states' various and extensive track-modernization programs are completed, further time savings of another 25 percent to 60 percent will be realized.

The IC and ICE trains offer hourly service to and from most other German cities. One criteria for picking a particular train is the location of your final destination within the greater Berlin-Potsdam area. All told, the trains now serve seven different stations in this metropolis of 4.5 million; the stations range from Spandau in the northwest to Schönefeld airport in the southeast. Potsdam itself is just a 30-minute ride from Berlin.

The same counsel applies to air travelers, and especially to members of parliament and south-bound vacationers. Tegel, formerly Western Berlin's only civilian airport, still gets 60 percent of the region's air traffic, but the former military facility Tempelhof—a short cab ride away from the future seats of national power—has become "the politicians' favorite."

Drivers do not require any counsel at all, just a good map and up-to-date knowledge of where the region's newest autobahn construction sites are located. Two thousand three hundred kilometers of highways and superhighways in Brandenburg and Berlin have been built or modernized. The next traffic battlefield is Brandenburg's larger communities. Work on 100 bypass roads is in progress in the state.

By the end of 1992, some 9 billion Deutsche marks (\$5.3 billion) had been spent on upgrading the two states' roads, air facilities, airways and waterways. A further 26 billion Deutsche marks has been allocated by the federal government for further work on the region's transport infrastructure over the next decade and a half.

Benefiting from this infusion of funds are the autobahns: Three key arteries are being upgraded from four lanes to six or eight lanes. Other prime targets of this largess are a bold plan to build a ring of train stations in downtown Berlin and a futuristic airport to the south of the metropolitan region.

"I think it's fair to say we have come a long way toward the future," says Walter Hirche, Brandenburg's minister for economic affairs, medium-sized companies and technology. "The region's roads and railways have been modernized in record time. We are also far along with the planning for the first post-unification transport facilities, including the new Berlin-Brandenburg International Air-



Twenty-six billion Deutsche marks have been earmarked for transportation development over the next 15 years.

port." By the end of next year, Europe's next large-scale airport will have a site to go with its name. At the moment, Sperenberg, Jüterborg-Ost and Schönefeld-Süd are prime contenders. Construction work on the new airport is set to begin during the winter of 1998-99.

The number of flights to and from Berlin rose 16 percent in 1992, as did the air-freight tonnage processed by the city's airports. To handle the area's rising volumes of air traffic until the new facility is completed, Schönefeld's main terminal has been modernized and expanded. A further terminal is under construction.

Another major project is to make the train the prime means of access to and from the nation's center of government. Building a new central city train station in today's Europe can easily take several decades, if it takes place at all. Berlin's plan is to build no less than four new facilities, to upgrade three others and then to link this mushroom-shaped grouping of stations and tracks via a 3.25-kilometer tunnel, and new and revamped rail lines.

A 2.5-kilometer road tunnel running under the central government quarter and the Tiergarten park has also been authorized, as have ambitious extensions of existing U-Bahn (subway) and S-Bahn (regional railway) lines.

All of this construction work will be done in the heart of Berlin, already one of Europe's busiest cities. The plan's cost has been pegged at 10 billion Deutsche marks.

"By 1998, all underground and foundation work on the new rail system will have to be completed," states an official. The reason for this deadline is that construction on such above-ground projects as the city's new federal ministry buildings is due to start at that time.

From Walled City to Open Market

By removing the barriers that separated West Berlin from East Berlin and Brandenburg, unification created a huge local market. The new lines of access to and from the rest of Germany have elevated this market into the country's metropolis for artistic currents, education and distribution.

The Greater Berlin area, composed of the western and eastern halves of Berlin plus the adjoining portions of Brandenburg, has the physical size of a major urban agglomeration. Some 4.5 million people live in its 600 square kilometers (230 square miles). Perhaps another 2 million people come regularly to the metropolis to work or shop.

In a number of key areas, post-unification Greater Berlin has the statistics of a medium-sized European country. Its 1992 gross domestic product of 160 billion Deutsche marks (\$88 billion) was earned by 150,000 companies and professional firms. Some 123,000 students attend the region's four universities and 24 polytechnics. It has more than 70 museums and theaters seating over 25,000 persons.

Once "a somewhat exotic outpost deep in the east," Greater Berlin and its nation-sized academic, artistic and commercial sectors have found a new vocation, according to Eberhard Diepgen, the city's governing mayor. "Berlin is increasingly

quick resumption of a long-standing role," he says. "Berlin was historically the point at which goods, persons and innovative ideas congregated and from which they were then disseminated to the entire country."

Evidence of Berlin's return to the center is provided by flashy four-page magazine spreads on golf property in Brandenburg—35 courses only an hour away from the bright lights of Europe's most vibrant city." Other proof comes in sober black-and-white figures. Messe Berlin, the city's trade-fair authority, set new records for turnover and participants in 1992.

At the same time, more goods and services were marketed in and from Berlin than ever before. Profiting from the East German "buying boom" of 1990 and 1991 and managing to weather the recession of 1992 and 1993, annual retail sales are running 50 percent higher than they were four years ago.

This rise, according to Mr. Schirmacher, can be attributed to the rediscovered appeal of Berlin as an "all-in-one" destination, an appeal enhanced by its newly created proximity and accessibility.

"Along with a general rise in the retailing sector, 'special treat shopping' is especially thriving in Berlin, with families coming to town to make a weekend out of a trip to the

city's stores and theaters and restaurants," Mr. Schirmacher says, adding that this is "a time-honored tradition in Berlin."

These "Berlin weekends" came into being during the last part of the 19th century and the first part of the 20th century. Well-heeled citizens from Rostock, Cottbus and Erfurt

ket Wertheim outlets and KaDeWe, Berlin's "flagship" retailer. A 200-million-Deutsche-mark revamping of KaDeWe is only part of Hertie's ambitious plans for its "home town."

Hertie reportedly earned 30 percent of its 1992 turnover of 6.9 billion Deutsche marks in Berlin—and in Germany's



Mr. Schirmacher: 'Berlin was historically the point from which goods, persons and ideas were disseminated to the entire country'

Berlin is an 'all-in-one' destination

...serving as the 'no walls' inter-regional center of a strongly federalistic country," he says.

Lothar Schirmacher is chief executive officer of Berlin-Brandenburg's regional association of retailers and member of the board of directors of Hertie Waren und Kaufhaus GmbH, the city's major retailer. "What we have been seeing over the past three years is a surprisingly

flocked to massive, luxurious department stores built by an extraordinary generation of retailing magnates. According to Mr. Schirmacher, many of them got their start in Germany's small cities before moving on to the 'major leagues'—Berlin. Quite a few of these magnates were Jewish. Today, these founding fathers' names—Wertheim (from Georg Wertheim), Hertie (from Hermann Tietz), Karstadt (from Rudolf Karstadt)—still grace the outlets lining Western Berlin's Tauentzienstraße-Kurfürstendamm "High Street" artery.

They are also the namesakes of Germany's leading retailing chains. Several of these chains are owned by Hertie, whose "houses" include up-mar-

new states. Other projects include a 200-million-Deutsche-mark department store in Dresden and a major distribution facility in Brieselang, to the west of Berlin. All told, the group now maintains 14 outlets in the new states and purchases goods with a sales value of 100 million Deutsche marks a year from the region, up 300 percent over the pre-unification figure.

In the near future, these weekenders may well be flocking to an "old-new" High Street. Extensive retail developments have been drawn up for the Friedrichstraße-Leipzigerplatz-Potsdamerplatz district, an area which, in the pre-World War II era, was a synonym for an especially comprehensive, efficient kind of shopping elegance.

Increasing Investment in Services

According to conventional wisdom, the service sector is a nice complement to the manufacturing sector, the heart of an economy. In this view, the service sector merely fixes things (bridges, teeth and plumbing), handles problems (be they legal, medical or financial), or waits on customers and clients.

In reality, as the recent examples of Berlin and Brandenburg show, the service sector implements plans, projects and programs. Without the architectural plans, mortar work, delivery contracts and surveyors' appraisals produced by the local service sector, the region's 145-billion-Deutsche-mark (\$85-billion) worth of new hotels, houses, streets, canals, sewage lines and printing presses would not have been built, equipped, installed, made operational or maintained.

"Viewed broadly, the service sector—including its skilled trades—represents an area's sum total of implementative capabilities, its ability to realize plans and projects," says Jörg Schlegel, managing director of BAO Berlin-Marketing Service GmbH, Berlin's marketing consulting and information-provision specialist.

The service sector in Berlin and Brandenburg has been getting a lot done—and thriving while doing so. At the beginning of 1993, there were some 22,000 skilled-trades companies in Brandenburg, an increase of more than 7 percent over the previous year. More dramatically, the size of these compa-

nies' work force increased 50 percent during the course of the year. In Berlin, the post-unification boom has resulted in the creation of an additional 125,000 jobs in the service sector.

Paralleling this has been the rise of the professions. In a single 21-month period, the number of doctors, lawyers, accountants and

architects in Brandenburg and in the eastern half of Berlin nearly quadrupled, bringing the areas up to western levels.

The best is yet to come. In Berlin alone, an additional 260 large-scale investment projects are now either being realized or are in the final stages of planning. These projects, which have a total value of 40 billion Deutsche marks, are expected to create another 175,000 jobs in the service sector.

"Berlin is booming," says Der Spiegel. The authoritative German weekly is not generally known for its hyperbole.

Both Mr. Moser and Mr. Steinriede, who will serve as Bankgesellschaft Berlin's speakers of the board, view the task of guiding their new institution through the currents of their multibillion-mark financial markets with considerable optimism. During the last three years, LandesBank Berlin has set up 85 savings bank offices in Eastern Berlin. The Berliner Bank established 52 branch and regional offices in Eastern Berlin and Eastern Germany. The bank now serves 130,000 customers in the region.

to it. We have also had considerable success in expanding our presence in the private-banking services sector."

A similar development has taken place at Berliner Bank. By founding and acquiring various regionally based banks and financial-service specialist companies, it has steadily expanded from its base in Berlin out into all of Germany's major financial markets.

More importantly, adds Mr. Moser, "they attract the niche players, the specialists, which provide a very requisite depth and diversity of financial services. It is important to place this merger in its proper context. A commitment to using diversity to strengthen our central market positions has long been part of our individual banks' policies. For instance, LandesBank Berlin has recently and considerably widened its activities in the fields of municipal development and housing provision through the constituting of a new subsidiary. Investitionsbank Berlin, and the transferring of recently acquired assets

in all three institutes—regards very large banks as the indispensable nuclei of an international financial center in the making," says Mr. Steinriede. "Banks of this size have the sophistication of services and the depth of capital backing to organize and participate in international financial arrangements."

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Union at the Center

Continued from Page 15

whole region congregates in Berlin's downtown "City" area to shop. A few hours later, the process reverses itself, with millions of persons heading off into Brandenburg's wide-open spaces.

The region's politicians have not been dragging their feet on unification. "My administration has placed a high priority upon completing the preparations for unity with Berlin," says Manfred Stolpe, Brandenburg's governor. Eberhard Diepgen, Berlin's governing mayor, says: "The only future Berlin and Brandenburg have is a joint one."

There are several matters to be attended to before unification can be fully realized. One of them is constitutional. Although the union of Berlin and Brandenburg was explicitly provided for in the treaty of unification concluded in 1990 between the Federal Republic of Germany and the German Democratic Republic, Germany's

Grundgesetz, which serves as its constitution, does not allow states to conclude unions in their own accord. A constitutional amendment is required. Political parties opposed to unification can be expected to fight this amendment.

Other matters are technical. The governments of Berlin and Brandenburg are made up of hundreds of independent and semi-independent departments, commissions, agencies and authorities, each administered according to its own (state) body of laws, and each with a counterpart in the other state. Each of these pairs of "twins" works to hammer out agreements resolving differences between them. These are then incorporated into the overall treaty of union.

In late 1992, the governments of Berlin and Brandenburg established the agenda for union. Listing the various points to be clarified and negotiated required 260 pages. Concrete results so far include the creation of a joint-ven-

ture capital fund for small and medium-sized companies, the passing of a law regulating waste disposal and the coordination of business-promotion efforts. During the course of the year, agreements on water- and energy-supply districts, public-transportation schemes, and urban and regional planning guidelines are expected to be concluded.

By the end of the year, the draft treaty of union will be submitted to the governments of Berlin and Brandenburg for consideration. The following spring, if all goes according to plan, the parliaments will pass a final version and then submit it to their voters for approval.

By the end of 1999, the union will be finalized—with a little generosity from Germany's other states, which have to allow the new state to continue to receive part of Berlin's special "city-state" funding on an interim basis.

"The two moves are more than interrelated," says Mr. Stolpe. "The joint-



Walter Hirche, economics minister for Brandenburg.

ing of the capital city with Brandenburg will promote the growth of all parts of the region. The union implies the removal of artificial, unnecessary administrative barriers, making it possible to efficiently implement transport and other infrastructure-improvement plans—items which, by their very nature, are regional in scope.

"By building Berlin into the capital city and the new state into the capital region, we will be able to deploy all of the human, corporate, administrative and financial resources both states possess."

A Strong Financial Sector for the Capital

Continued from Page 15

ernment quarter" and its four new, high-capacity train stations plus a large-scale airport in Brandenburg in the offing, demand for capital is just starting.

A recent report puts the number of finance houses with headquarters or representatives in Berlin at 147, of which 47 are non-German owned. About one-third of the city's banks and two-thirds of its "foreigners" have arrived since unification.

This rapid expansion has made its mark on the balance sheets of the region's major banks. In 1992, Berliner Bank AG, the city's leading universal bank, registered a 9-percent increase in its balance sheet total, a 19-percent jump in credits dispensed, and a 43-percent growth in pre-tax profits. In the same period, LandesBank Berlin—Girozentrale, the central credit institute heading Berlin's 171 Sparkassen (savings banks), nearly doubled its balance-sheet

total and business volume. Berliner Hypotheken- und Pfandbriefbank, the city's major building society, recorded a healthy 7-percent increase in its balance-sheet total.

As of Jan. 1, 1994, these three banks will share a common owner. A new company, Bankgesellschaft Berlin AG, will serve as the ultimate holding company of the three banks, which are "to completely maintain their operative independence," according to Hubertus Moser, LandesBank Berlin's chairman of the board.

Bankgesellschaft Berlin will have a balance-sheet total of 180 billion Deutsche marks, stockholders' equity of more than 6 billion Deutsche marks and some 13,500 employees. Bankgesellschaft Berlin will be the only one of Germany's "Big Ten" banks located in the country's east-Elbian region.

"The city-state of Berlin—the majority shareholder

in all three institutes—regards very large banks as the indispensable nuclei of an international financial center in the making," says Mr. Steinriede. "Banks of this size have the sophistication of services and the depth of capital backing to organize and participate in international financial arrangements."

More importantly, adds Mr. Moser, "they attract the niche players, the specialists, which provide a very requisite depth and diversity of financial services. It is important to place this merger in its proper context. A commitment to using diversity to strengthen our central market positions has long been part of our individual banks' policies. For instance, LandesBank Berlin has recently and considerably widened its activities in the fields of municipal development and housing provision through the constituting of a new subsidiary. Investitionsbank Berlin, and the transferring of recently acquired assets

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Brandenburg Speeds Up Development Process

By taking a highly active role in the development process, Brandenburg's state government has drastically shortened investment realization times.

Brandenburg's development figures come adorned with encouraging "rising curves." Potential investors would no doubt be interested to learn that, as of the end of January 1993, other investors had committed 31.3 billion Deutsche marks (\$18.4 billion) to the state, a rise of more than 50 percent over the previous year's figure. Brandenburg's 1992 gross domestic product of 39 billion Deutsche marks represented a 5.2-percent increase

over 1991; at the same time, exports to western states chalked up 2.6 billion Deutsche marks, a rise of 58.2 percent over 1991.

Brandenburg's "through times" also are encouraging for investors. It took 13 months for a major (West German) automobile "prepping" and "tuning" company to construct a facility in Etzin, a town located to the west of Berlin. These 13 months included all phases of the plan-authorization process. Nor is this an isolated example. A large-scale apartment complex in Teltow, southwest of Berlin, had a "through time" of less than two years.

Perhaps the most impressive evidence of Brandenburg's commitment to speeding up development and investment procedures is provided by the profusion of well-established business parks in the state over the past three years. In its June issue, *Impulse* - Germany's authoritative business monthly - named 13 business parks in Brandenburg as "top business sites." In selecting these parks, the magazine cited the high availability of skilled workers, the quality of the parks' transport and telecommunication infrastructure and the general economic health of their respective regions.



In Potsdam, 'speed-up' agencies to aid investors.

According to Walter Hirsche, Brandenburg's minister for economic affairs, this speed is the end-product of a two-pronged state approach to development. "A state can promote business development by dismantling administrative barriers and providing an ample supply of funds, expertise and other resources," he says. "The state also formulates overall planning guidelines. In Brandenburg, we have created several problem-removing arms. Our 'Business Location Commission' works closely with all authorities involved on a case-by-case basis. By setting up this 'public-sector project manager' - something new to Germany's state governments - we've managed to trim wasted time from the facility-approval process." Five *Aufbaustäbe*, or business-promotion groups, also serve as the state's "speed-up" agencies. They are located in Brandenburg's main regional centers, with headquarters in Eberswalde, Cottbus, Neuruppin, Frankfurt/Oder and Potsdam. These groups are led by such international and national luminaries as Karl Otto Pöhl, long-serving head of the Bundesbank, and F. Wilhelm Christians, chairman of the supervisory board of Deutsche Bank AG. "Time to market" is another closely monitored "through time." It benchmarks the length of the average product-development cycle. Drawing on the state's technological resources, many of the state's estimated 80,000 young companies have managed to introduce "market-making" products and services within a few months of their founding - a feat by anybody's standards. These products include the world's only fully automatic and computerized lens-measuring device (from OEG Optik, Markendorf); and a long-range, air-pollution detecting device using laser technologies (from Elight Laser Systems, Teltow).



Berlin's Alexanderplatz gets a face-lift.

Berlin Once Again a Base For Touring Brandenburg

With more than 7.66 million overnight stays and an average length of visit of 2.56 days (both country-wide bests), Berlin once again laid claim to being Germany's leading tourist city in 1992.

City," Berlin is prospering in its new, joint roles as the center of Germany's cultural and night life and the jumping-off point for exploring Brandenburg and the rest of Eastern Germany. Within the city, a new center of tourist facilities has arisen in the downtown (Eastern Berlin) Unter den Linden area.

Last year, a surging 100-percent growth in the number of persons lodging in the eastern half of Berlin more than counterbalanced a moderate decline of 10 percent in the number of people staying in the western part. It is not that Western Berlin is slipping in popularity. It is just that, rather suddenly, Eastern Berlin has become a tourist center in its own right. The 2,650 tourist facilities in the city's eastern half chalked up a 19-percent growth in total turnover, with the area's hotels recording a 109-percent increase.

In 1992, 2.4 million people made their way down the watery ways of the Spreewald, Brandenburg's unique bayou area, located some 60 kilometers (37 miles) southeast of Berlin. Most of these visitors were from the greater Berlin area, but a sharply increasing number were first-time and non-German visitors. While a good majority of the tourists to the Spreewald and Brandenburg's 10 other major destinations were on day trips, enough of them were long-term visitors to boost the state's total figure for overnight stays by some 17 percent in 1992.

This upswing corresponds to the figures recorded by Eastern Germany's tourist sector as a whole: 27 million arrivals in 1992, or a 20-percent increase over the previous year. The east is becoming a highly popular place to visit.

Many parts of the Schorfheide-Chorin nature preserve, located 50 kilometers north of Berlin, remained completely unvisited in 1992. One reason for this was that large areas of the preserve - Germany's second largest - are reserved for the use of the local inhabitants: beavers, sea eagles and raccoons. Another factor was the Schorfheide's sheer size - 25,000 hectares (62,000 acres). A third reason was simply that the Schorfheide, unlike the Spreewald, has not really been "discovered" yet.

In the first four months of 1993, 300 new hotels and guesthouses applied for inclusion in the state of Brandenburg's official listings. Over the past few months, 45 hotels and pensions opened for business in the eastern half of Berlin alone. Just as important, an increasing percentage of them provide certifiably high-quality lodging and fare.

Once the end-of-the-line "Wall

In Berlin, the Olympics of Transformation

On Sept. 23, the International Olympic Committee will decide whether or not Berlin, the venue of some of the decade's most stirring events, is to host the Olympic Games in the year 2000.

A go-ahead from the IOC would give Berlin a highly useful deadline for its third transformation, which would be experienced as a city-wide burst of land-site and riverbank conversion and as a five-year celebration of diversity.

"Berlin is currently working very hard on so many challenging projects," says Lothar Schirmacher, member of the supervisory board of Berlin 2000 Olympia, the body making the city's bid. "I think it would be highly motivating to have a set date, an event to be working toward."

Eberhard Diepgen, Berlin's governing mayor, agrees. "That date would set something of a finish line, albeit temporary, to the very long-term, open-ended race to transform this city and the regions around it."

Berlin is bringing to Olympia a state-of-the-art transport and telecommunications infrastructure as well as "a large stock of up-to-date sporting facilities used by a large, highly active sporting community totaling nearly half-a-million persons," says Friedrich Ruth, career diplomat and deputy managing director of Berlin 2000 Olympia. "Berlin also has quite a bit of practice in being a good, highly efficient host." Mr. Ruth cites a long list of recent sporting events staged in Berlin, including track and field meets and the city's ever-popular marathons.

Olympia would bring to Berlin some 3,700 new apartments in the Olympic Village and other areas, a downtown mass-transit system - Olympia Express - and new or renovated stadiums and sports halls as well as several facilities in Brandenburg and a new sailing harbor in Mecklenburg-West Pomerania.

The whole region joins in actively supporting Berlin's bid, as the whole

region stands to benefit from these region-wide games," says Manfred Stolpe, Brandenburg's prime minister. The most ambitious Olympia-related project is a 30,000-hectare (74,000-acre) interlinked landscape of parks, woods, waterways and sports facilities situated in the heart of Berlin. This new "open cityscape" is at the heart of the plan formulated by Hilmar Hoffmann, leading light of the German arts scene and head of Berlin 2000 Olympia's cultural program. The project aims to turn Berlin into a unified "open-air stage."

In Mr. Hoffmann's plan, Berlin's ever-increasing accessibility will be manifested through the regreening of dozens of kilometers of idyllic regional waterways. Each year, starting in 1996, a newly reclaimed waterway will be commissioned and a city-wide festival will feature one of the four major elements and its related "trait" - water and initiation, earth and urbanity, air and vision, and fire and emotion. In the year



Friedrich Ruth, deputy managing director of Berlin 2000 Olympia.

2000, "Culture - the Elements of Life" will conclude the cycle of annual events. This festival will reach its high point with the opening ceremony of the Olympic Games and in a "peace festival," which will be staged after the games' closing ceremonies.

Two weeks later, in the same facilities, the Paralympics will begin. Handicapped athletes will compete in 19 disciplines during the 11-day event.



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at the center

SPORTS TENNIS

FIFA Threatens To Ban France Over Bribe Case

Compiled by Our Staff From Dispatches
ZURICH — World soccer's governing body, FIFA, threatened on Tuesday to suspend France from international soccer in an escalating dispute over alleged bribery.



It was rough going for Michael Stich of Germany on Tuesday, as he fell to Henrik Holm in four sets.

Stich and Capriati Upset, Edberg Survives a Scare

Compiled by Our Staff From Dispatches

NEW YORK — Michael Stich of Germany and Jennifer Capriati of the United States were upset victims Tuesday in first-round matches at the U.S. Open.

Stich, the No. 6 seed and the 1991 Wimbledon champion, lost to Henrik Holm of Sweden, 6-3, 7-6 (10-8) 3-6, 6-3.

Capriati, seeded No. 7, was done in by her own errors in a 1-6, 6-4, 6-4 loss to Lella Meskhi of the Georgian Republic.

Stefan Edberg of Sweden, the No. 3 seed, barely survived a five-set scare from an upstart Frenchman to begin his quest for a third consecutive Open title, while top-seeded Jim Courier won in straight sets.

Stich was undone by a lack of winners. He had only 36 winners, and that included 12 aces.

The German complained about several calls and was warned for smacking a racket on court. But he said the officials did not cost him the match.

"I just played bad," he said. Meskhi snuck to the baseline and let Capriati unravel. She broke Capriati at love on four unforced errors in the seventh game of the third set and served out the match when Capriati hit a forehand long.

Capriati, who two years ago held match points against Monica Seles in the semifinals, suffered her worst U.S. Open result as she launched 51 unforced errors in the last two sets.

"The first set I played great but then I started making mistakes and losing momentum," said the 17-year-old Capriati, the 1992 Olympic champion.

Meskhi, a quarterfinalist here in 1990, had split their previous two encounters. The Georgian was badly outplayed in the opening set and got settled down and engaged the American in longer rallies, waiting for the teenager to self-destruct.

"In the first set she played unbelievably. I didn't have a chance," Meskhi said. "I think she was tired in the third set and when I started to play long points she was tired."

Edberg, bothered by trouble with his normally potent serve, dropped seven consecutive games at one stretch and appeared listless in the New York heat and humidity. But he had enough strength and too much tennis for Uruguay's Delaire in a 6-2, 0-6, 7-6 (9-7), 5-7, 6-3 victory, his 15th consecutive win at Flushing Meadows since a first-round loss in 1990.

The match lasted 3 hours, 24 minutes. "I had a chance and I didn't take it," Delaire said. "That's life."

Edberg said he was happy to escape with a victory from a match in which he did not have his best stuff.

"I did what I had to do," he said. "I didn't play my best tennis, and I played my very best tennis, and I won the match. I love it."

Edberg's match on the smacked stadium court started a long day of action at the National Tennis Center.

After a desultory opening day in which just seven of the 32 seeded players took the courts, Day 2 was more of a typical August day in New York: hazy sun and temperatures around 90.

It was a record-breaking day, too, with 22,357 fans jamming the grounds. The old record for a U.S. Open session was 22,166, for the day session on Aug. 26, 1991.

Courier beat Marcus Aurelio Gorriz of Spain, 6-1, 6-3, 6-3. Michael Chang, the men's seventh seed, cruised by a fellow American, Shelby Cannon, 6-1, 7-5, 6-2, on the rain-soaked courts.

Thomas Muster, the 12th seed from Austria, beat Alex Corretja, 6-4, 6-4, 6-3.

Jana Novotna, the Wimbledon women's runner-up and No. 8 seed, beat Angelica Gavaldon 6-2, 6-4, and the women's 11th seed, Manuela Maleeva-Fragniere, beat Larisa Neiland, 6-3, 6-3.

The defending men's champion never has been eliminated in the first round at the Open, but since a two-time defending champ, Edberg is trying to become just the third man in the open era to win this Grand Slam tournament three years in a row.

For a while, it looked as if that quest would end in a major upset.

Edberg had trouble putting Delaire away and was plagued by errors. He was called for six foot faults, and his seventh double fault gave Delaire a break for a 6-5 lead in the fourth set. Delaire then held to send the match to a fifth set.

The last time Edberg lost at the Open was in the first round, too, a long time ago. In his opening match of 1990, playing as the No. 1 seed, Edberg lost to Alexander Volkov in straight sets.

This was a close call, but no upset. Edberg broke for a 4-2 lead in the fifth, then saved two break points to hold for the match held on a lunging volley that just clipped the baseline.

Novotna was making her first appearance in a Grand Slam tournament since collapsing to Steffi Graf in the final at Wimbledon. Novotna held a 4-1 lead in the third set there, then lost five games in a row.

The scene Tuesday was different. Playing on a remote, outside court, Novotna dropped her serve to fall behind 0-2, but then won seven games in a row to take control against Gavaldon.

"It was just a matter of getting used to the surface," Novotna said. "I was just trying to get used to the surface."

Chang did what you have to do to win on hard courts. He won the point 76 percent of the time he came to the net, and took 87 percent of his first-serve points.

(AP, Reuters)

Other U.S. Open First-Round Results

- Men's Singles: Paul Hanley, Netherlands, def. David Wheaton, United States, 6-4, 7-6 (10-8) 6-4, 6-4; Johnnie Vanies, Peru, def. Andrei Chumakov, Russia, 6-7 (7-5), 6-3, 6-1; Daniel Vacek, Czech Republic, def. Chirley Desautel, Czech Republic, 6-4, 6-7 (7-5), 6-4, 6-1; Jozsef Szevescs, Sweden, def. Goran Prokic, Croatia, 6-1, 6-2, 7-6 (7-5); Lon Beka, South Africa, def. Gordon Aronson, United States, 6-4, 6-2; Thomas Parrotta, South Africa, def. Petr Kofner (7), Czech Republic, 7-6 (7-5), 6-4, 7-6 (7-5); Brian Black, Zimbabwe, def. Brent-Ove Pedersen, Norway, 6-4, 6-2; Dmitri Pavlov, Russia, def. Brent Garnett, United States, 6-4, 6-2; Kevin Ulmer, South Africa, def. Alex O'Brien, United States, 6-4, 6-2; Martin Damm, Czech Republic, def. Jean-Philippe Fleurbaey, France, 6-4, 6-2, 6-4; Nicolas Pietrangeli, Venezuela, def. Cristiano Caratti, Argentina, 6-4, 6-2; Steve McNeilly, Japan, def. Andrei Olshanskiy, Russia, 6-4, 6-3, 6-3; Markus Zochner, Germany, def. Wilfried Kalfus, Sweden, 7-6 (7-5), 6-4, 7-5; Alexander Volkov (14), Russia, def. Jonathan Stark, United States, 7-6 (7-5), 6-4, 6-2; Jiri Stepanek, United States, 6-4, 6-2, 6-4; 6-2; Thomas Muster, Austria, 6-4, 6-2, 6-4; 6-2; Michael Novacek, Czech Republic, def. Michael Tabbal, Australia, 6-4, 6-2, 6-4; Petr Kofner (7), Czech Republic, def. Michael Tabbal, Australia, 6-4, 6-2, 6-4; Bernd Karbacher, Austria, def. Emilio Sanchez, Spain, 6-4, 6-2, 6-4; 6-2; Ronald Ajer, Haiti, def. Phillip Williams, United States, 7-6 (7-5), 6-4, 6-2; Thomas Parrotta, South Africa, def. Alex Corretja, Spain, 6-4, 6-2, 6-4; Michael Chang (7), Taiwan, def. Steve McNeilly, Japan, 6-4, 6-2, 6-4; 6-2; Henrik Holm, Sweden, def. Michael Stich (6), Germany, 6-3, 7-6 (9-7), 5-7, 6-3; Armand Brasseur, France, def. Petr Kofner (7), Czech Republic, 6-4, 6-2, 6-4; 6-2; Edberg (15), Sweden, def. Olivier Delaire, France, 6-2, 0-6, 7-6 (9-7), 5-7, 6-3; Armand Brasseur, France, def. 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OBSERVER

Man Here Can't Jubilate

By Russell Baker
NEW YORK — Another exciting newspaper piece about the revolution in communications. Something about telephones. Fiber-optic wires. Did it say wires? Maybe all it said was just plain simple "fiber optics." Wires are old hat. People still say "old hat." Nobody wears a hat anymore. Not for ages. Except baseball caps. Backward. Why do kids wear baseball caps backward? Shields neck from sun that way. Maybe kids afraid of turning into "red necks."

Should "red necks" be one word? "Rednecks" without capital "r"; "rednecks"? Reminder: Can't call Indians "redskins" anymore. Not politically correct. Can "rednecks" be politically correct? How about "the noble red man"? Wants to run a gambling casino nowadays. Just like ignoble palface politicians. What are fiber optics anyhow? Can you get just one? "I'd like a fiber optic, please." What does optic have to do with telephoning? Optic is about eyes, about seeing, isn't it? Telephones are about hearing. All right, about talking too. And fiber is about breakfast cereal. Good for you to eat a cereal with plenty of fiber, make you live twice as long, or something. Or maybe that's off. Didn't a scientific study just show fiber doesn't matter after all? Too many scientific studies going on. Scientists always complaining the country doesn't give science enough money to keep up with Japan, or someplace like that.

Why is this newspaper story so excited about a revolution in communications? Revolution's been turned into just another blah blah word. Constant stream of revolutions going on. Afterward everything is just like before the latest revolution, only worse. Before the sexual revolution there was venereal disease, family breakup, illegitimate births. After the sexual revolution: deadlier venereal disease, death of the family, so many illegitimate births that street gangs are substituting for parents. Revolution in communications probably means even more television, more phone calls, more incentives to madness. Sample pre-revolutionary phone call:

"Hello, Nicholas, how are you today?"
"I'm napping."
"You're napping?"
"Napping! I was napping when you phoned. Who is this anyhow?"
"This is Jack Wolf representing Famously Advertised Brokers & Company. I understand you're interested in the activity of the stock market."
"You're misinformed. I absolutely never buy stocks, bonds, commodity futures or dabble in foreign exchange, considering the entire field of activity as being on a par with and just as corruptive of character as casino gambling, which I am sorry to see the noble red man now, alas, pursuing to the inevitable and predictable detriment of..."
"Ah well, go back to your napping."

Maybe it's neither fiber, optics nor wires that are incubating the revolution in communications. Maybe it's the cellular whatever that goes into those phones you see people ostensibly talking into while driving automobiles. What are those whatever that make the thing cellular? Fibers? Optics? Could look it up. Not worth it. Important question is not about fiber, optics or cellular whatever. Important question is why people want to talk on telephones while driving. Calling Jack Wolf maybe? Why? To find if stock market has made them millionaires since they finished mopping and took the car out to give it a little exercise 10 minutes ago?

Real revolution in communications would eliminate blah blah on phone and TV, not expand it, not deliver more faster. Real revolution would suppress and destroy all communication not interesting or important to communication.

Real revolution would be fax machines and computerized telephone dialing devices turning into mobile cellular quillions using the miracle of optics or fiber, as appropriate, to pursue and dispose of the world's Jack Wolfs.

Also anybody threatening to afflict humanity with more TV channels. Revolutions never real any more though. Expect things to get even worse.

New York Times Service

Lessons From the Front in Hollywood

By Bernard Weinraub

LOS ANGELES — Although Dawn Steel insists that she's "an ordinary middle-class girl from New York," it doesn't seem quite that simple. One of the few women to climb to the highest ranks in Hollywood, she lives in a hilltop home with startling views of Los Angeles; she's a fixture in the town's top tier, her bank account is decidedly up-middle class, and her rise and fall and rise are hardly an ordinary tale.

"Yes, I see it as a fairy tale, but not a glamorous fairy tale because of the enormous amount of hard work, persistence and perseverance," said Steel, who is now an independent producer and whose first film, "Cool Runnings," is to be released in October. The perseverance is perhaps the central theme of Steel's autobiography, "They Can Kill You... but They Can't Eat You: Lessons From the Front." To be published this month by Pocket Books, the book is not a slash-and-burn Hollywood exposé that's going to keep her from eating lunch in this town again. It has some personal gossip (before her marriage, she had affairs with Richard Gere and Martin Scorsese) and plenty of celebrity names. But the book, which was written with Marcelle Clements, is mostly an account of a woman's rise as an executive in Hollywood in the 1980s when there were so few of them.

"I felt that if I shared the lessons that I learned — both the good ones and the bad ones — that I might make the climb a little less painful for other women," Steel said, seated in the living room of her home and sipping mineral water. "I did things wrong, and I did things right."

A former president of production at Paramount Pictures and the head of Columbia Studios from October 1987 until January 1991, Steel is blunt, basic and totally unpretentious. Her early mentors at Paramount, where she began as the director of merchandising in 1978, included Barry Diller, the chairman of the Paramount corporation, and Michael Eisner, who was the chairman of Paramount's studios, and Jeffrey Katzenberg, who was its president of production. Asked why these men and others rapidly advanced her career, Steel said simply: "One was that I was funny. I wasn't heavy furniture. I made them laugh and entertained them. And the other thing was that I could identify a good idea. Not a lot of people can do that. That was my gift."



The rise of Dawn Steel as a Hollywood executive is not the ordinary fairy tale.

warranted, she insisted) for an abrasive, take-no-prisoners style.

"It hurt me deeply, this reputation as tough, hard, mean," she said. "It was very painful. I came from guys who wanted to kill me. I react to stress badly. I handle it better these days. But I'm a very straightforward person. I don't know that I would say abusive. In some ways I was hurt because there's an unbelievable amount to accomplish in a day and maybe I was insensitive considering the pressures and responsibilities of these jobs."

Yet she refuses to indulge in the traditional Hollywood defense of strong-willed women: that is, men who are tough are applauded while such women are ridiculed. Bad behavior, she says, is bad behavior. She has seen a well-known male executive throw a chair in rage at a colleague, and has seen another verbally abuse his underlings. "No one ever really told those guys," she said. Asked whether her reputation was part-

ly a result of men being envious and threatened by her, Steel shrugged.

"I hate saying all these people were envious because it makes me sound like a victim," she said, "and I'm not a victim and I don't want to be seen as one. I don't want to answer this question. I want you to say this stuff. Let a man say it for once."

Steel, who married Charles Roven, a producer, in 1985, and has a daughter, Rebecca, 6, was born in the Bronx, and grew up in Manhattan and on Long Island. Her father, Nat, had a nervous breakdown when she was a child. Her mother, Lillian, who died recently, was a formidable businesswoman compelled to work to support the family.

Steel studied marketing at the New York University School of Commerce, began working as a receptionist in the garment district in 1968 and later took a marketing job at Penthouse. (She initially told her parents she was working for Mademoiselle.)

The Penthouse job led to Hollywood and the marketing post at Paramount. Certainly the sharpest comments in her book revolve around her abrupt departure from Paramount. She was, essentially, dismissed from her job as president of production in 1987, while in the hospital after giving birth to her daughter. She blames several men, mostly Frank Mancuso, the chairman of Paramount and now chairman of MGM/United Artists, Ned Tana, the chairman of the Motion Picture Group, and some other lesser executives. They all have declined to comment.

But she quickly offered the job of running Columbia Studios, which was then owned by Coca-Cola Co. Steel left the job in January 1991, after Sony's purchase of the studio, and became an independent producer, mostly with the Walt Disney Co.

Her first produced film, "Cool Runnings," is a true story about four Jamaicans, unaccustomed to snow, who become Olympic bobsledders. Her next film, "The Power of No," is based on "Lysistrata" by Aristophanes and deals with a group of women in the urban ghetto who refuse to have sex with men until they stop violence.

Running a studio, she said, was grueling. "I never enjoyed the job, ever," she said. "You were far too concerned with things other than the product. Like studio politics, like board presentations, like the press."

Given Hollywood's reputation for cruelty to those who lose jobs, Steel said she was surprised at the loyalty of most — but not all — of the people she considered friends. "After I left Columbia, and I was in limbo for a while, the phone rang one Saturday morning and it was Mike Ovitz," she said. Ovitz, the head of the powerful Creative Artists Agency, "said he had seen 'Awakenings,' which I had green-lighted, and he wanted to wish me congratulations. He didn't have to do that. It was a really important call for me."

Steel said she had thought repeatedly about why Hollywood made films years back with great female stars, like Bette Davis or Joan Crawford or Barbara Stanwyck, and why those roles are rarely available today. She would like to explore the issue, perhaps in a film.

"The real issue is what feminism has done to men," she said. "I'm pretty sure men are completely confused about women today and I'm not sure I blame them. Sure there are men who exhibit despicable behavior. But there are other men who are confused and intimidated. People like Bette Davis were one of a kind. It's not that way anymore. Now men are surrounded by tough broads like me. I have to tell you, for a man to come home to a woman like me is not easy. If I had to come home to a husband like me I'd just want to go to sleep."

PEOPLE

Letterman Has Landed: East Meets West on TV

Now it's REALLY official: a biggest event in U.S. TV history since, well, at least since "Cheers" signed off the air in May. David Letterman moved to CBS with "Late Show with David Letterman" from "Late Night" on NBC. The premiere brought "surprise" well-wishers, Tom Brokaw, NBC anchorman, and Paul Newman, along with the scheduled guests, Bill Murray and Billy Joel. "If you think about it," Letterman said brushing off a boisterous reception at the after-noon taping in New York, "all I really did was take the summer off." On the West Coast, Jay Leno, host of the main competition, the "Tonight" show on NBC, took note. Talking about President Bill Clinton's problems in persuading "it-works-to carry his speech on health care because of all the competition," he said, "Hey, pal, join the club."

Trouble in paradise? Rocker Adam Clayton's much-ballyhooed wedding to super-model Naomi Campbell is off — at least for a while. A spokesman for the U2 guitarist said the wedding had been put off from September until 1994. There's speculation they have been bickering over Campbell's modeling buddy, Christy Turlington, whom the bride-to-be wanted to invite along on a vacation. Clayton reportedly nixed it. The spokesman says the truth is more mundane: "Mainly it was decided: Why rush into it?"

"West" was the word that dinged the World Scrabble Championship in New York for a television producer from England. Down two games to none, Mark Nyman battled Joel Wagnick of Canada from 10 A.M. to 5 P.M. through five grueling games for the title.

Two of Roy Acuff's violins now belong to Shoji Tabuchi, whose chance meeting with the country music legend 25 years ago inspired his career. Tabuchi's wife, Dorothy, bought them at auction and surprised the Japanese musician with them at their theater in Branson, Missouri. Acuff died last year at 89.

INTERNATIONAL CLASSIFIED
Appears on Pages 4 & 19

WEATHER

Weather forecast tables for Europe, North America, Middle East, and Oceania, including temperature and precipitation data.

WEATHER

Weather forecast tables for Asia, Africa, and Latin America, including temperature and precipitation data.

CROSSWORD

Crossword puzzle grid with clues for Across and Down words.

CROSSWORD

Crossword puzzle grid with clues for Across and Down words.

Large advertisement for AT&T Access Numbers featuring the headline "I wonder if the little guy had fun today?" and a list of international access numbers.

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